# SPEECH

OF

# MICHAEL HOFFMAN,

ON THE

## STATE FINANCES,

### IN CONVENTION, FRIDAY, SEPTEMBER 11, 1846.

---

Mr. HOFFMAN said, commanded by the order of the Conventiun tu make a parol report without writing, upon complicated finances, I am obliged to solicit the indulgent attention of the committee. After so long a struggle for public debt and with finances carried for long years through that struggle, to write such a report would be sufficiently laborious and difficult—but to speak it, seems tu be a duty never before imposed on any one. I do not advert to these circumstances tu complain, but to show some ground for an indulgent hearing, while I endeavor to treat, not the first section only, but the whole subject of our debts and the means of their extinction.

In the Legislature, and again in this Convention, complaint has been repeatedly made that the public accounts are complicated and obscure. The real complaint should be that our debts and dealings are great and multifarious. The public accounts of these are kept with the greatest simplicity that can possibly state them with fairness. No merchant, mechanic, or farmer, can keep his own with more simplicity. To make them useful, he must make them show his income and expenses with each of his adventures, jobs, fields and crops, and the united results of all his operations. So the State must keep an account of its revenue and expenses in each department of the public service, and with each of its canals—and show the yearly result of all its operations, including its large and multifarious debt, absolute and contingent. In the introduction of the Finance Report of 1842, is a brief and explicit explanation of the manner in which the public accounts are kept, yearly closed, and reported—which it will be found difficult to misunderstand. In truth, the public accounts are admirably kept to answer the designated specific purposes of the government. If a call be made for information on principles conformable to the arrangement of the accounts in the public offices, the answer can be made speedily, and in the must satisfactory manner. But when the call of either house or of the Convention requires a new account to be made and stated,—the accounts and vouchers must be reviewed perhaps for a long series of years—the labor must be great, there is danger of error, and delay is inevitable.—The committee, therefore, endeavored to shape the call ordered by the Convention, so as to make the answer easy and correct, and to afford the Convention the largest practicable results of past experience in the branches of the public service to be considered, and as free as possible from all mere estimates and opinions. They desired to give the practical facts of the past as the best means to judge of the future. These are fully, correctly and clearly stated in Convention document No. 47 and its tables. Painful as it may be to attend tu these dry, cold details, I must ask it while I attempt—what no one was ever before required to du—to make a parol report, without writing, on a vast debt, accumulated in long years, under systems of complicated and varied finance. By following me through the tables and reports, members will find it possible to understand me correctly. Without that labor on their part, I must despair of making myself intelligible to them.

Before we proceed to consider what our present debt is, it may be well to ascertain what it was in April, 1842, that we may see how much it has been reduced by the system of payment adopted in that year. A full explanation on this part of our inquiry will be found in Convention doc. No. 47, p. 4 and 5—a part of which I will read—p. 5. "Below is shown in the first column the several "items of debt as given on the 7th of Feb., 1842, "in table F.—and in the second column as it has "since been ascertained to have existed at that "period, say on the 1st of April, 1842, viz:

| | As shown in table F. Feb. 7, 1842. | Ascertained debt as of April 1, 1842. |
|---|---|---|
| "Canal debt, | $18,656 011 72 | $21,179,019 81 |
| "Contingent debt, | 5,235,700 00 | 1,720,000 00 |
| "Treasury debt, | 1,872,878 92 | 5,388,578 92 |
| | $25,764,590 64 | $28,287,598 73" |

The causes of these changes is in part explained on pages 3 and 4 and completely in the paragraph which follows the one I have just read. The Report then proceeds. p. 5:—"The whole debt at "the time the suspension law passed, instead of be "ing $25,764,590 64, as was then supposed, actu- "ally amounted at that time, as since ascertained, "to $28,257,598 73—without including the sum "which has since been paid to canal contractors, "growing out of the suspension law." These unearned profits paid to contractors amount to $409,641 95—including large sums allowed to contractors under the act of 1839, for changing some structures on the Genesee valley canal, as appears from the Comptroller's report, Assembly doc. 1846—No. 25, p. 17.

What was our present debt on the first day of June, 1846, when the Convention met? Beyond our passive debt the answer to this inquiry will be found in the Convention doc. No. 47. The passive debt consists of the U. S. deposite fund of $4,014,520 71. In the act of congress which authorized the deposite, the State was required to pledge its faith for its return. In the act of the legislature which accepted the deposite, this pledge was made in the most explicit manner, and your public officer, in the receipt he gave for the money in pursuance of law, in express terms pledged the public faith of the State for its safe keeping and return. It is therefore a most sacred debt, made doubly sacred because our pledge is to the government of our own choice. The net revenue from this money is by law devoted to the purposes of education—that most absolute necessary of life—and the money has been loaned on bond and mortgage, according to a law that requires all losses of the fund to be immediately supplied out of the revenue. So far this act has been carefully observed and the fund kept good, and I suppose it always will be, so long as men have any regard to honor, honesty or good faith. The securities being thus made perfectly good, the bonds and mortgages may be justly deemed sufficient to satisfy any possible claim the federal government can make for these moneys; and I shall therefore take no further notice of this passive debt.

The active debt of the State, direct and contingent, on the 1st of June, 1846 will be found at p. 8 of the doc. No. 47. The interest computed is according to the rates fixed on the stocks and brought down to the time the stocks are respectively payable; and on that small part of the general fund debt for which there are no stocks—the interest is calculated at the rates usual for these moneys and down to the period indicated in the report. The report and the tables all state the debt as it stood on the first day of June. For this there are several conclusive reasons. The Convention met on that day—the call for the report was made in June, and though the first of June is not as good a season to ascertain the money on hand as a quarter day or the close of the fiscal year, yet the day had gone by and an examination of the books would show with reasonable certainty what these funds were, and their worth. The commissioners of the canal fund have a heavy debt to manage—with large sums to be paid for principal and interest; as well as the duty of preserving the public works in the most useful condition, the yearly expenditure on which is some $600000, and where from accidents or disasters, large expenditures may suddenly become inevitable.—It was seen that the funds on hand on the first of June would leave in their hands the means necessary to make these operations safe—say some quarter of a million. A portion of the canal debt became payable on the first of July, amounting in interest and principal to some $800,000. To call for the account at that time was not only to ask it before it could be in fact taken—but to ask it for a time when nothing available would be left in the hands of the commissioners for either the safe management of the canal debt or the secure operation and maintenance of the canals. The first of June was therefore the only safe or proper time to fix on for the ascertainment of the State debt or the funds on hand. No greater available funds were then on hand than the interest of the canals and the security of the State credit required. All the estimates of interest have been made, therefore, with a reference to that date—and the debt ascertained as at that time. In all the tables the debt is supposed to be paid as soon as it becomes payable—without any extension beyond that period. If in the actual progress of the debt it should become necessary to extend the period for the payment of any part of it, new interest, which I will call extra interest on such extension, must be calculated. Almost any yearly sum that our revenues will permit us to devote to the payment of this debt, will leave some portions of it to be extended and delayed with consequent additional or extra interest for the extension.

On these principles the State debt on the first of June, 1846, should be thus stated:

| | |
|---|---|
| | *Principal.* |
| Canal debt, table B.—2. | $17 516,119 57 |
| Insolvent Rail Roads, table C.—1. | 3,515,700 00 |
| Solvent Rail Roads, table C.—2. | 1,713 000 00 |
| General Fund debt, table D. | 2,369,849 24 |
| | $25,114,668 81 |
| | *Contract Interest.* |
| Canal debt, table B.—2. | $8 379 838 33 |
| Insolvent Rail Roads, table C.—1. | 2,933,165 37 |
| Solvent Rail Roads, table C—2 | 1,001 707 50 |
| General Fund debt, table D. | 870,292 87 |
| | $13,185,004 07 |
| | *Will require for prompt payment.* |
| Canal debt, table B.—2. | $25,895 957 90 |
| Insolvent Rail Roads, table C.—1. | 6,448,865 37 |
| Solvent Rail Roads, table C.—2. | 2,714.707 50 |
| General Fund debt, table D. | 3 240,142 11 |
| Total, principal and interest | $38,299,672 88 |

From this statement, it is seen that the principal of this active debt, which in April, 1842, was in fact, as since ascertained, $28,287,598 73; has by payment been reduced to $25,114,668.81, showing payments for principal, exclusive of interest, of $3,173,929 92. Although this reduction has been made, yet it appears that the contract interest up to the time the money becomes payable, will be $13,185,004,07, and that this reduced debt cannot be paid short of $38,299,672.88. If to this we add interest for extensions almost inevitable, we may deem ourselves fortunate if this debt shall be eventually paid, principal and interest, for forty millions of dollars, to which it was at one time supposed the principal of our debt might safely

be extended, and its payment secured without direct taxes, in 1865.

Whether we regard this debt as it should have been stated in 1842, at $28,287,598.73, or as we find it on the first of June last at $25,114,661.81, requiring in addition to that principal the payment of $13,185,004,07 of interest before the debt can be extinguished, and some addition for interest on inevitable extensions—it must be regarded as a British debt, to be paid by British taxation, direct or indirect, with the misery inseparable from that taxation. It is a solid, broad foundation on which to build perpetual, endless debt and taxation—to wither, blight and blast every branch of human industry. I do not make these remarks to censure those who contracted the debt. They may have been mistaken. We have, if we will apply them, the means of payment, and if we will not apply them, because we desire rather to spend the money and employ these means for our own wants, ours will not be an error, but a deliberate crime, committed against faith and obvious duty.

In 1841, when I came by the sheerest accident into the legislature, it was strongly denied that any part of the Railroad debt ever could become a charge upon the treasury. Charging these stocks to the State as part of her debt, was denounced as panic making and treasonable. While the contest on this point was waging, these debts amounting to $3,515,700 became a charge on the treasury, and settled the contest, that to that amount at least they were to be paid by the State. There was still left $1,720.000 of this debt hanging as a contingent debt on the State, which by a payment of $7,000 made by the Delaware and Hudson canal company, has been reduced to $1,713,000, as now stated by the Comptroller. In truth the liability of the State for these stocks, in aid of incorporated companies, was always absolute. The only thing contingent about these stocks was whether the companies to which the credit of the State was loaned, would redeem them, and thus save the treasury from the payment of them. Of the companies which have as yet paid interest, two have applied and obtained, one by joint resolution, and the other by law, some exemption from paying in the two per cent sinking fund required to be paid for the eventual redemption of the debt.—Others may need the like or greater relief; and as viest of these companies have become bankrupt, such relief has been given to some, and the heaand left the treasury to pay these debts, it seems reasonable to suppose that more of this debt will eventually fall upon the treasury. Without descending to invidious particulars, I think it probable that the State will be obliged to pay some $420,000 of the principal of this contingent debt, with interest for a greater or less number of years. If the State shall escape from this contingent debt, by the payment of one million of dollars for principal and interest on this part of the debt, I shall regard it as fortunate. We may do better—we may do worse. Still as the public officers do not desire to encourage these incorporated companies to become defaulters, they treat the debt as contingent, and therefore usually omit this portion of the State debt; but in making a final provision for the State debt, it cannot be safely disregarded.—The provision to extinguish the general fund and insolvent railroad debt, should be such as will also extinguish any portion of the contingent debt that will probably become a charge on the treasury, though we cannot now fix with certainty the amount. If this contingent debt to $874,433 for principal and interest shall become a charge on the treasury, as I think it will, it will cost you about $45,000 for each of the ensuing 19 years.

Omitting then this contingent debt, the absolute debt of the State will be found in the Convention document No. 47 The Canal debt is stated at page 36, in the table marked (B2), which I will read:

### ( B 2 )

### CANAL DEBT.

Statement showing the amount of principal and interest actually payable in each year, as it becomes due, on the State stock issued for the several canals.

| YEAR. | Principal actually payable. | Interest actually payable. | Total Principal and Interest. |
|---|---|---|---|
| 1846, from 1st June to 30th Sept. | 571,301 00 | 312,797 51 | $881,101 51 |
| 1847, Sept. 30, | ........ | 935,001 32 | 935,001 32 |
| 1848, | 1,531,736 00 | 907,268 41 | 2,492,001 44 |
| 1849, | 2,140,400 00 | 786,890 30 | 2,936,290 30 |
| 1850, | 436,000 00 | 671,718 46 | 1,107,718 46 |
| 1851, | 870,000 00 | 621,101 80 | 1,491,101 80 |
| 1852, | ........ | 609,851 80 | 609,851 80 |
| 1853, | ........ | 609,851 80 | 609,851 80 |
| 1854, | 520,000 00 | 601,601 80 | 1,121,601 80 |
| 1855, | ........ | 578,851 80 | 578,851 80 |
| 1856, | 4,000,000 00 | 428,851 80 | 4,428,851 80 |
| 1857, | ........ | 378,851 80 | 378,851 80 |
| 1858, | 3,038,605 31 | 310,610 23 | 3,399,221 57 |
| 1859, | ........ | 225,921 53 | 225,921 53 |
| 1860, | 943,100 00 | 211,773 03 | 1,154,873 03 |
| 1861, | 2,182,974 23 | 87,333 88 | 2,270,308 11 |
| 1862, | 900,000 00 | 45,000 00 | 945,000 00 |
| 1863, | ........ | 15,000 00 | 15,000 00 |
| 1864, | 300,000 00 | 11,229 00 | 311,052 00 |
| | $17,516,119 57 | $8,379,838 33 | $25,895,957 90 |

The General Fund and Insolvent Railroad debt united, is stated at page 42. in table E, which I beg leave to read:

### ( E. )

### GENERAL FUND AND RAILROAD DEBT.

Statement showing the amount of principal and interest payable in each year on the General Fund State debt, as it becomes due, assuming that the Astor Stock, ($561,500,) and the Comptroller's bonds for loans from the School Fund and the Railroad Sinking Funds, ($86,305.59,) will be paid in ten years; and the principal of Indian Annuities, ($122,694 87,) and the balance due the Specific Funds, ($740,151.78,) will be paid in five years.

| YEAR. | *Principal actually payable in each year.* | *Interest actually payable in each year.* | TOTAL |
|---|---|---|---|
| 1846, 1st June to Sept. 30th, | $11,000 00 | $131,159 02 | $142,159 02 |
| 1847, Sept. 30. | 13,000 00 | 324,479 24 | 337,479 24 |
| 1848, " | 368,107 00 | 314,919 06 | 683,026 06 |
| 1849, " | ............ | 304,816 39 | 304,816 39 |
| 1850, " | ............ | 304,816 39 | 304,816 39 |
| 1851, " | 862,846 65 | 304,816 39 | 1,167,663 04 |
| 1852, " | 467,000 05 | 253,045 60 | 720,045 60 |
| 1853, " | ............ | 225,025 60 | 225,025 60 |
| 1854, " | ............ | 225,025 60 | 225,025 60 |
| 1855, " | ............ | 225,025 60 | 225,025 60 |
| 1856, " | 647,895 59 | 225,025 60 | 872,921 19 |
| 1857, " | ............ | 191,986 50 | 191,986 50 |
| 1858, " | 100,000 00 | 191,986 50 | 291,986 50 |
| 1859, " | 250,000 00 | 184,736 50 | 434,736 50 |
| 1860, " | 350,000 00 | 172,111 50 | 522,111 50 |
| 1861, " | 1,500,000 00 | 133,476 50 | 1,633,476 50 |
| 1862, " | 1,000,000 00 | 66,986 50 | 1,066,986 50 |
| 1863, " | ............ | 14,486 50 | 14,486 50 |
| 1864, " | 287,700 00 | 7,993 25 | 295,693 25 |
| 1865, " | 28,000 00 | 1,540 00 | 29,540 00 |
| | $5,885,549 24 | $3,803,458 24 | $9,689,007 48 |

These two debts united are stated at page 43, in table F, which I feel it my duty to read to the Committee:

The following statement embraces the debts of all the canals, the debts of the railroads which have failed to pay interest, and the debt of the General Fund, being the aggregate of the direct debt on which the State is now paying interest. The first column shows the amount of principal payable in each year; second, the interest payable in each year on the whole debt; third, the amount of principal and interest payable in each year, from 1st June, 1846, to the maturity of the stock or debt. This table is a consolidation of tables B. 2, C. 1, and D.

( F. )

| YEAR. | Principal actually payable in each year. | Interest actually payable in each year. | TOTAL. |
|---|---|---|---|
| 1846, from 1st June 30th Sept., | $582,301 00 | $443,956 56 | $1 026,260 56 |
| 1847, 30th Sept. | 13 000 00 | 1,259,180 56 | 1,272,180 56 |
| 1848, " | 1,952,843 00 | 1,222,187 50 | 3 175,030 50 |
| 1849, " | 2,149 400 00 | 1,091,706 69 | 3 241,106 69 |
| 1850, " | 436,000 00 | 976 531 85 | 1,412,531 85 |
| 1851, " | 1,732,846 65 | 926,218 19 | 2,659,064 84 |
| 1852, " | 467,000 00 | 862 897 40 | 1,329,897 40 |
| 1853, " | ............ | 834,877 40 | 831,877 40 |
| 1854, " | 520,000 00 | 826,627 40 | 1,346,627 40 |
| 1855, " | ............ | 803,877 40 | 803 877 40 |
| 1856, " | 4,647,895 59 | 653,877 40 | 5,301,772 99 |
| 1857, " | ............ | 570,838 30 | 570 838 30 |
| 1858, " | 3,158,605 34 | 532,605 73 | 3,691,211 07 |
| 1859, " | 250,000 00 | 410,658 03 | 660,658 03 |
| 1860, " | 1,293,100 00 | 383,886 53 | 1,676 986 53 |
| 1861, " | 3 682,974 23 | 220,810 38 | 3,903 784 61 |
| 1862, " | 1,900 000 00 | 111,986 50 | 2,011,986 50 |
| 1863, " | ............ | 29,486 50 | 29,486 50 |
| 1864, " | ,587.700 00 | 19,243 25 | 606,943 25 |
| 1865, " | 28,000 00 | 1,540 00 | 29,540 00 |
| | $23,401,668 81 | $12,183,296 57 | $35,584,965 38 |

From the table B 2, it is seen that the Canal debt of $17,516,119.57 will cost you in interest before it can be paid, $8,379.838.33, making a charge on your revenues of $25,895,957,90. The table E shows you that your general fund debt is $5,885,549,24, and that the interest on it will in the period fixed for its redemption, cost you $3,-803,458,24, creating a charge on your revenues of $9,689,007,48. The burthens of this direct absolute debt united, are stated in the table F, principal $23,401,668,81—contract interest $12,-183,296,57, making a total of $35,584,965,38, which must be paid to extinguish the debt. This calculation does not include any portion of the contingent debt, stated in table C ,1—C, 2; nor any thing for interest that must be paid for any extension of time for paying the absolute debt.

In fixing a contribution to your sinking fund, if you fix it too small, and pay too slow, you may disgrace your sinking fund and the State. The disgrace will be ours, but the injury will fall mostly on our creditors. They expect not only payment, but that your credit in their hands will be maintained. Their necessities frequently oblige them to sell, and every reduction in the price from proper and adequate means to sustain your credit, is a robbery on them.

It may be said that there were funds on hand on the first day of June, that might be applied towards the reduction of this debt. A statement of these and their character, will be found in the Convention document No. 47: p. 6.

"Available deposites in banks, $392,854,46"—These funds are good, and to a small extent exceed what is necessary to be kept on hand at all times for the proper care of the public debts and public works. The payments in July consumed them entirely. The remainder of the funds on hand promise but little.'

Unavailable deposites in banks, viz:

| | | |
|---|---|---|
| Bank of Brockport, | $3,715 50 | |
| Bank of Lyons, | 19.113 86 | |
| Clinton County Bank, | 86,200 00 | |
| Lockport Bank, | 29,750 00 | |
| Lockport Bank & Trust comp'y. | 32 072 31 | |
| Lewis County Bank, | 20,000 00 | |
| Watervliet Bank, | 42,480 00 | |
| Wayne County Bank, | 20,912 02 | |
| | 254,211 69 | |
| The Canal Fund has also in stocks issued for the payment of balances due on account of Canal fund, moneys deposited in the Bank of Buffalo, Commercial Bank of Buffalo, and Commercial Bank of Oswego, | $314,448 02 | |
| Total unavailable loans to Banks, | | $568,659 71 |
| Loan to the city of Albany, | | 30,000 09 |
| To be raised under chap. 326 of the laws of 1846, | | 300,000 00 |
| | | $1,291,514 17 |

Now looking at the character of these funds, they appear to me to be really "unavailable." It cannot be expected that the enumerated bankrupt banks will soon, if ever, pay the deposites entrusted to them. Nor do I regard as available the stocks of the Bank safety fund, though that fund may redeem them at some indefinite but remote period. The claim against the city of Albany is under protest, though the city must ultimately pay it. The $300,000 about to be borrowed is destined to pay arrearages to contractors and for land damages, and can be regarded as available for no other purpose. These remarks dispose of all these funds, and show that the available portion of them are fairly needed as funds on hand. If other por-

tions shall prove available, then, and not before, they may be employed to improve the canals.—When available, the legislature may appropriate them to any canal purpose. They are certainly not now applicable to the payment of the debt, nor should dependence be placed upon them for that purpose.

Having thus briefly stated our debt, I will now call the attention of the committee to the charges against the State. The first in order is the Canal current expenses. These are large and will increase with the increase of business on the canals. We shall hereafter have occasion to consider what they probably will be for a short series of years.—The charge next in order is for the payment of the interest and principal of the Canal debt. We must also prepare to meet the interest and redeem the principal of the General fund, and Insolvent Railroad debt, with such portion of the contingent debt as may fall on the treasury. In addition to these three charges, we must meet the State current expenses, which have increased rapidly for many years, and which it will be difficult essentially to reduce.

Then what are our ways and means—our revenues to meet these charges?

Some effort has been made to tax the railroads on their transportation, as if the company paid this class of taxes, and not the persons who consume the articles transported. The legislature have made some progress in this Spanish Bourbon legislation of pensioning the government on trade and travel. We would make internal improvements to cheapen transportation, and tax the transportation to make it dear. Supporting a government by tax on trade and travel appears to me worse than the old repudiated practice of asking a bonus for a bank charter. If we attempt to extend and fix this system of taxes on transportation—if we pursue the course of taxing transportation on roads not made at the expense of the State, we shall make the government a real highwayman—odious, and an oppressor. Such a course may, like any other abuse, answer for a time—but it must soon fail from surrounding circumstances. Trade, travel and transportation will be driven from us, and our industry must languish for want of the rewards which untaxed transportation and trade can alone secure to labor. We can do ourselves an injury by this sort of taxation; but there are so many rival routes, and there soon will be so many more which will not be taxed, that to secure trade and travel we shall be obliged to act in this whole matter with liberality and justice.

I might dismiss this branch of the subject, but I never can consent that the current expenses of the State, and all its great expenditures, should be charged on the right of way, which the sovereign should hold, not as property for revenue, but in trust for the million—to promote travel, transportation and commerce. To the extent that the State makes advances and incurs a reasonable risk in making a road or canal, the State from the tolls should fully indemnify itself for those expenses and that risk. But when the citizen, at his own expense, makes the road or canal, I can think of no worse or more oppressive course than the Bourbon one, which we have commenced, of taxing the transportation on it for the benefit of the State. The revenues will be collected in small sums from every body in every quarter, and no one can afford to resist or make effectual complaint. But the monies when they go out of the treasury, will go in large sums for families, interests or localities—to reward followers, and purchase supporters. Such a course must engender the worst oppression and the worst corruptions, and soon realize the worst vices of the worst governments—Taxation on all we consume—which will allow nothing to move to or from the market without tribute to the State.

The salt and auction taxes resemble in character and impolicy the tax on transportation; and I think you will not long be able to maintain either. Of the two last, I have given my views somewhat at large on former occasions. They are both strictly local taxes, and it is as unjust to defray a general expense by such a local tax, as it is impolitic and dangerous to make expenditures for local improvements out of a general revenue. To be safe, local expenditures must be met by local taxes. To be just, general expenses should be paid from general revenues. If a peculiar tax can be collected in a locality, the peculiar circumstances which enable it to be raised will expose that locality to peculiar charges, which render such a tax necessary to be expended where it is collected. This is certainly true of the auction tax.

The salt tax has already been reduced to one cent a bushel. If then 4,000,000 of bushels shall be manufactured yearly, the gross revenue will be $40,000; and the yearly expense has been about $30,000—leaving a nett revenue of only about $10,000. These expenses may perhaps be somewhat reduced, but there is quite as much danger of their increase as hope of their reduction; and I can scarcely expect to see them brought below $26,000. For the great State of New York to cling to such a tax, looks as if it were driven to the last extremity; and were acting like a broken down merchant, endeavoring to live out of his old book accounts trumped up against old customers, with whom he had long before fully settled. But sir, if we will cling to this tax, we cannot increase it, and it will soon escape our grasp. By the St. Lawrence, salt has reached Lake Champlain, and the federal tax on it once reduced, it will come freely, to supply not only that lake, but the countries bordering on the whole extent of the great lakes; and by the Hudson, will reach Troy, and the interior connected with the Lakes, and the Hudson. Our salt tax therefore is substantially gone forever.

Then comes the auction tax almost exclusively collected in the city of New York. It is equally unjust and unwise. It comes in direct opposition to trade. It is a tax against trade. It declares that you must not sell in the manner in which trade finds it best to make its sales. Hitherto about $32,000 of this tax has gone for the support of some charities located in that city. At the last session this tax was reduced; and you cannot long continue it. If other rival cities have no such tax, it can and will be evaded. In truth your tax is a bounty to invite evasion. If the tax presses on the business, instead of carrying his whole stock to the auction, the seller may send there fair samples of the whole—a fifth or a tenth—and sell them; thus fix the price, and then say to buyers, you can take stocks from my store at auction price, less the tax. If your tax is oppres-

sive, auctions may be opened in other states where your tax cannot reach the goods. You may embarrass or drive off trade by this tax, but circumstances will not long permit you to sustain it as available revenue. I do not regret that you will soon be obliged to abandon these two impolitic taxes; and to my mind, I must confess that the salt and auction taxes look somewhat disreputable. Reduced as they are, we cannot safely estimate their proceeds at more than some $100,000 a year; and disgraceful as they are, they must soon go down to the tomb and shrivel into nothing.

Here then our state ways and means are reduced to canal tolls on the one hand, and direct taxes on the other. What we do not take from canal tolls, we must obtain by direct taxes. Our silence as to direct taxes is of no avail. We cannot always continue to borrow and not pay; we cannot adopt the infamous course of repudiation by neglecting to pay. We must meet our state expenses and debts, by canal tolls or direct taxes, or both; and what we do not realize from tolls, must, whether we say it or not, be wrung from our people by direct taxes. We cannot deny, we ought not to conceal the fact.

These charges divide themselves into four kinds. First our canal expenses, already very large, and to increase with time and the increase of business on the canals. Second, our large canal debt to which I shall have further occasion to call the attention of the committe, and on which every delay of payment must occasion additional interest. Third, our general fund debts, including that for aid given to companies already insolvent as well as any part of the contingent debt before spoken of, which may fall upon the treasury.—On these perhaps I have said enough to show their character and probable amount; but I must add that every delay to meet them early, must add proportionably for extra interest. Fourth, the state current expenses, already large and to increase with our population. To these I shall have occasion hereafter to call special attention.

To pay your debts and to meet your canal and state current expenses will require about $3,200,000 a year, nor can you in my opinion reduce these charges as low as three millions a year.—Whatever you do not take from canal tolls to meet these charges, you must take from direct taxes. You may to some extent delay the payment of your debt by a guilty breach of the public faith—or by the British system of funding the debt, paying interest and making the debt and drain for interest, perpetual—a system, if less base yet more cruel than repudiation. Repudiation would be a bold stand in infamy, but this funding system would fasten on the limbs of your children the withering, blasting effects of British eternal debt and taxation. Payment, prompt payment—payment with the least interest is your only course, and what we do not pay with canal tolls we must pay by direct taxes. You cannot well live on the future as the past has foraged on you.

It therefore, becomes proper for us to consider briefly, the general circumstances applicable to our future canal revenues. If some of these look to a probable large increase, others may incline us to believe that sooner or later we must adopt considerable reductions on the rates of toll.

Our canals have been in operation since the spring of 1826, and the competition of carrier against carrier, shows what competition can do. Without going into detail, it seems to me right to say that taking the up and down freights together, competition has reduced the share which the carrier retains for himself, from what was two dollars, to one, or less than one. What was $3, for him, is certainly now less than $2, and I believe it does not exceed $1,50; and yet the full force of competition has not probably been felt. Formerly the up freights made a fair yield to the carrier; now they are much reduced, and yield him little over tolls. Will not competition on all other routes have a like effect in reducing freights? On the rivers of the south west, on their main streams, the competition has been respectable, but by no means equal to the competition on our canals and the Hudson; while on all the upper portions of those rivers, the competition has been new, imperfect and feeble, and will long and rapidly increase. In 5, 10, or 15 years the increase of competition in that quarter will probably do as much to reduce freights there, as it has done here, in the like past period of years. The same thing is true with regard to the Pennsylvania route. The competition has been feeble—time will make it active, strong and vigorous, and it will force down the freights there, as it has done with us. Competition, hitherto feeble on the Ohio routes, will in due time become active and efficient; and it will play for us, or against us, according as the season and our rates of toll shall affect the choice of the merchants between our route and the great south western rivers, where we must expect large reductions in charges. The new works at the west, too, will come in to play a part in this competition and reduce prices still further

I must not in this enumeration omit the great works from the tide waters of the St. Lawrene to the extreme west of the great lakes, some 1300 miles of ship navigation. Of the full size of the vessels that can pass this inland navigation, I can not speak with certainty, but I find in the report of the officer in charge of these public works that there were three propellers on lake Erie, the aggregate tonnage of which is 1900, which would be able to reach the tide, on completing certain of the new locks on the Welland Canal. The works are now, I believe, completed, or soon will be; and it appears from this fact, that vessels of 600 tons can pass from Montreal to Chicago.—This route is so entirely new, that competition thas there yet to do its whole work in reducing freights. When, or how far it will reduce them, cannot now well be foreseen; but that it will do so largely, can scarcely be doubted. Indeed this route appears to have drawn an unusual quantity of produce this season to Montreal and Quebec. For, without any unusual deficiency in the shipping at these ports, the price of freights has risen so much as to be the subject of complaint. From this, I infer that the Canada route has not been idle. Another year may send more shipping to these ports, and thus reduce their charges. Besides the reductions which a growing competition can effect on that route, it is evident, that the rates of toll there, are such as will well bear large reductions.

It seems to me, therefore, entirely probable, that a great reduction will sooner or later be effected in transportation on all these rival routes, not only by the competition between carrier and carrier on the same route, but also by the reduction of tolls on these several routes. We have several times set the example of reducing tolls—and it will be earnestly followed by all our competitors for the trade to and from the great west. The prize is great and the struggle will be earnest as well on the part of the routes reducing tolls as on the part of the carriers reducing their charges; and in these reductions, the newest and least improved routes on which the least reductions have as yet been made, can go farthest. This competition of rival routes and of the carriers on them, will yet effect enormous reductions in the cost of transportation.

The great west will enrich us it is true, if we do not forbid it by our rates of toll. From the vast extent of that new country, from the fertility of its unexhausted soil, and the rapid increase of its population, well may we justly expect a great increase in the products to be brought and the pay to be returned; but if we keep up our high rates of toll, or increase our debt and make the reduction of our rates of toll impracticable, we shall drive those products to other less taxed routes, more effectually than by any other means in our power. The high rates of toll is our greatest enemy in this competition for revenues and transportation. The debt which forces us to impose these rates of toll is our greatest misfortune—worse than if the waters of our canals were solidified into rock—because then less than this canal debt of $17.000,000, to say nothing of our other debts and expenses, would remove the rock and clear the passage.

But, sir, this competition does not end with rival canals. Hitherto railroads have been constructed almost exclusively for the accommodation of travel upon the principle of flying—and we cannot safely determine how far they can be made useful instruments for the transportation of property. By a proper location and use, they may, and doubtless will be largely improved for this purpose, and existing circumstances show us, that they will be constructed and fully tried.

Finished goods for the spring consumption, reach the great Atlantic cities, in January, February and March, from abroad—the return pay for our exports. Our own manufacturers must bring his into the market at the same time, or wait for a purchaser for consumption until the fall sales. From Maine to Carolina, a country, made some 100 or 150 miles wide by short railroads to the water, can reach the great cities every week of the winter, to purchase and sell; that district includes the great cities, a vast population, and a laage part of our manufacturers These therefore have a free and full use of the markets in winter, to buy what they need, and sell what they make. But in our vast interior, whatever other advantages may be enjoyed, the manufacturer must purchase in autumn—risk the changes of the market during that long period, and if dependant on a canal, frozen up five months in the winter, he cannot get his goods into the market, until after the traders have made their purchases for the spring business. He must in effect, buy in autumn, and sell for the next autumn business, or all his wheels, spindles and machinery must rest from October until May. This is a great, and he regards it as an insupportable misfortune, and will therefore, join with all others who desire a railroad to open the way in winter, to and from the markets. As some of the cities have railroads, which open far into the country, and enable their merchants in winter, to supply their country customers, other cities must secure the like communications with the country, or their merchants will feel, and find that trade leaves them, and goes to those favored with rail roads operating through the winter. The merchant will therefore be obliged to join in the effort to multiply and extend the transportation by railroads. Since large agricultural districts accommodated by these roads, made and making, will possess a monopoly of the market in winter; all other agricultural districts must seek the like facilities to reach that market. At the southwest the great rivers are open in the winter, to a certain point. At that point, a railroad may be used in winter, extending into the country, and thus in effect extending the unfrozen rivers in winter, when it is safe to transport bread stuffs and butchers meat, through the Mississippi and the Gulph, to the Atlantic cities, the West Indies, Brazil or Europe.

From all these causes, I infer, that it is quite certain that railroads will be stretched from the Atlantic to the Lakes, as well for the transportation of freight, as of passengers. The change has in part taken place, and soon these works will be constructed, and their power of competition will be tried.

One further view of the subject. Suppose all these desires do make these rail roads, can they compete with the canals, for transportation? I have stated before, that since they have all been made heretofore for FLYING, it is very uncertain how useful they may be made for the transportation of property. But there are some examples which may serve to show us what they can do, and I may add, what they must do, if they once get made. The railroad from here to Boston, over as ungainly a route as could well be selected, either for its grade or its operation, and which has to war against the open Hudson, and against the open coast—what does it do? It is made, and like all things which have a being, it must struggle for existence. On that hilly route of 200 miles, it picks up its barrel of flour at the dock here across the river, and drags it over the mountains and through the country, and delivers it at the merchants store in Boston for 25 cents. The Hudson—than which a better canal does not exist on the whole earth—if put under such tolls as are put on the Erie canal, could not carry as cheap tor 150 miles, as can the Boston rail road for 200 miles. I mention this to show you what is meant by tolls. Applying to the Hudson such a rate of toll as you must necessarily apply to the Erie canal, you would drive traffic and trade to Boston. In less than twenty years, the same question may arise in respect to the Erie canal; for it cannot be denied that owing to the smallness of the grades of the rail roads from Buffalo to this city, if the road were as good as the one from here to Boston, they could transport flour cheaper for 360 miles than it can be done for the 200 miles from here to

Boston. It would be one almost continuous level grade, with scarcely even a sharp curve. The rail road from Ogdensburgh to Lake Champlain, occupies at least as favorable a position as the road from here to Boston. I say then, that from the examples of the Boston road, these roads, if they existed, could strongly compete with the Erie canal, loaded and burdened as it is, with its debts and tolls. We may through the power of legislation, maintain our monopoly, may prevent the Ogdensburgh rail-road, and the Erie rail road from carrying freight. Legislation may block up the passage from here to Buffalo—it has the power to do so. But that power is the immoral power of self-destruction—a horrible, impossible power. You could only turn the trade by all the varied channels to which I have alluded, to the south-west in winter, and to the north and south in summer. That is all you could do. You can destroy commerce, and with that, destroy the rewards of industry, but you cannot by that destruction secure your revenues. You must be just and wise—you must deal with your neighbors as you desire to be dealt with—you must afford for them a better and cheaper way, and must act towards them in kindness and conciliation.

Viewing this matter altogether, how does it stand in the range of probabilities? Why fairly and rightfully thus: That for some period to come, say of eight or ten years, your tolls on the canals, may be sustained at about their present rates, and your revenues increased as they have been, and that in ten or fifteen years, you will find them beginning to culminate, unless you reduce your rates of toll. In ten or fifteen years, with the competition and the reduction of tolls on other routes—the introduction of new rail roads, with the present, competing for bread, and each well knowing that five per cent. is better than four, that four is better than three, three better than two, and two a hundred per cent. better than one; knowing this, and looking back and seeing how much ten years experience have aided to improve rail roads, who can doubt that the competition will be severely felt. These roads when they once exist, must like all other things, struggle to obtain a living; for these roads have living representatives, men wanting bread, clothing and lodging; and they will compete with industry, economy and iron perseverance for the means of existence. I may be mistaken in the period when the competition will be felt, but I cannot disguise the conviction of my own mind, that it certainly will be felt in twenty years, I believe it will strongly in fifteen, and that we shall not be without some experience of it in ten years. And I wish to say, that in my own mind, whatever it may be in others, this view of the subject is not entirely new. The past has not pushed on in this competition, as fast as it would if it had not been for the wretched public bankruptcy, and social insolvency of the West, and if the evils of bad financiering in the Southwest, and from civil dissensions in the Canadas. From these causes you feel no injury from competition now. They may be unwise, again, they may not, and I think they will not—but if they are, you may be saved again. But is it wise thus to calculate on the folly of your neighbors? Perhaps the burnt child will dread the fire too much to repeat his folly.

During the present year too, the road to the Southwest by the Gulph of Mexico, has been to some extent, avoided, because of apprehended danger of war with Great Britian; for I do not believe any thing was apprehended from miserable Mexico, and the road through the Canadas was probably, to some extent avoided for the same reason. I believe that all these things had some small effect upon the progress of the last year.

These remarks enable me to say that I do not believe that this Convention here, is in a situation to fix rules against the reduction of canal tolls.—All such attempts are, in my opinion, gone past their time. You cannot do it with safety, you must leave the question open. You must take the consequences of this discretionary power for good or evil. If you can make the revenues large either by high or low tolls, and thus get rid of the debt, you will be fortunate,—if you cannot do it, the debt must be met by direct taxes. It cannot hang around the energies of the people of the state, it will not. You have not even a corporal's guard to enforce your laws, and if we who have contracted the debt, who have looked somewhat to its reduction—have not the moral courage and foresight to end it by payment, and instead of paying, will take the money to spend, who believes that the conduct of our successors, when the debt comes to them with the weight of years, will be in anywise more reputable or honest? The result will be non-payment and repudiation. If we who have been active in getting up debts, are not prepared for payment, but will use the means of payment for our own expenses, believe you, that those who come after us will pay them? You may believe it if you can, but it will not be true. You must take these tolls when you can get them, and you must pay with them as well as you can. When they will not answer, you must meet the deficit by taxes, direct or indirect, and expunge the debt. I wish to know whether any other course is open to a free people? What is the worst vice of the worst government? It is the fact, that it does not pay—will not pay its current debts. This vice generally goes on and ends as it would here—in cruel and oppressive taxation for a period—the wronging of the creditor, and despoiling of the citizen. Such is the way in which debt works in every country. I wish to know whether these representative governments are to be marked by this worst of vices, or whether they will as becomes a free and responsible people, by canal tolls, and if these are insufficient, by taxation, meet this debt. For one, I answer, that it must be paid speedily, and with interest, by canal means, if it can; but be paid by taxes if necessary. And in saying this, I believe I express nothing but the opinion of every member of the standing committee. While I say this for the committee, I will conclude this part of the subject by expressing as my own opinion the conviction, that in all probability our revenues for some 8 or 10 years to come, will increase, as has been usual, and we shall be able to maintain mostly our tolls at present rates. After 8 or 10 years, competition will be sensibly felt, and compel us to reduce our rates of toll to secure transportation and sustain our aggregate revenue. In 15 or 20

years that competition will become so strong as to force down these rates of toll so strongly and rapidly as to reduce that aggregate of revenue.—While yet we can, we should pay our debts, and prepare for this great and distinctly foreseen competition.

With these general observations, applicable to the whole subject, I now proceed to examine the *projet* introduced by the committee, for the disposition of this debt.

Mr. HOFFMAN then read the following:

SEC. 1. After paying the expenses of collection, superintendence and ordinary repairs, [$1,500,000] one million and five hundred thousand dollars of the revenues of the State canals shall, in each fiscal year, and at that rate for a shorter period, commencing on the first day of June, one thousand eight hundred and forty-six, be set apart as a sinking fund, to pay the interest and redeem the principal of that part of the State debt called the canal debt, as it existed at the time aforesaid, and including three hundred thousand dollars then to be borrowed, until the same shall be wholly paid; and the principal and income of the said sinking fund shall be sacredly applied to that purpose.

The first matter provided for in the section, is the ordinary expenses of the canals.

The committee thought themselves bound to apply for these repairs of the canal the funds, so far as they are necessary for that purpose. Good faith to the creditors require it—good faith to the State, and sound policy in every respect. Then what will be the ordinary repairs of the canal?—On this subject there is undoubtedly room for some degree of speculation. But I believe from the tables presented, it will not be very difficult for the Convention to come to a safe conclusion. Table 9, page 48 of the Convention Document No. 47, shows the charges for repairs upon all the canals as a system and the aggregate amount of expenditure upon them Looking at page 49 and taking their whole course, gentlemen will find that the whole payment upon all the canals, for all sorts of expenses paid upon them, has been over $10,098,370, and the difference between their income and payment is $18,603,155. A general inference from this comparison tolerably safe, would be that the ordinary expenses upon a system of canals of the kind, would about equal one-third of their entire revenues. In the case alluded to, of all the canals as a system, the rate would be a little higher. Taking the Erie and Champlain canals from 1826, when they were first brought into operation down to the end of 1845, as it appears by table H, p. 47 of the same document, the total payments for expenses were $8,630,921—and revenue over these payments were $18,964,796—the expenses being between a third and a fourth of the whole income from these canals. In the table, some extraordinary expenses are included, but even after all past improvements, such must be expected hereafter. In these tables the Convention have our large practical results. Taking the expenses of these canals as a system for the last ten years, and I find that they have paid in all $5,841,609, and that their annual cost might be put at $584,160. I refer the Convention to these tables, as affording the best information in our power to obtain on the subject of these expenses. They speak truly as to the past, and furnish the best grounds for judging of the future. [Note A., foot of next column.]

I do not like to hazard a calculation on a matter of this sort, at best a mere matter of conjecture.—When the canal commissioners who managed the canals in 1825-'26 estimated the expense of the canals for a series of years to come, they supposed that about $100,000 per annum would be ample for nine years then to came, but when it came to be tried, it was found that the expenses in some nine years came to $3,000,000. I prefer, uncertain as estimates must be, to be guided in this matter, somewhat by certain results. The repairs last year were a little larger in amount than usual. In future years we may not be so unfortunate, and we may be more so. And when we come to examine the question as to the capacity of the canals, I believe it will be found that not too much has been set apart for these ordinary repairs. Under these circumstances, allowing for every thing, considering all things that have passed in relation to it, recollecting that some items which ought to have been put in here as repairs, have actually got into the funded debt, the committee were not able to say, that probably the ordinary expenses of the canal as a system, can be less than $600,000 for each of the ten ensuing years. In some years it would be more, in some less; but for the general average this is as small a sum as we ought to estimate.

Mr. WORDEN: I wish to ask the gentleman if that includes all the expenses on the canals?

Mr. HOFFMAN: No sir. The heading of the table shows that it includes only what you must pay to keep the canals in operation, and includes nothing for debt, or interest on stocks.—The necessary amount for expenses might be put perhaps at $584.000, if we continue to do for the next ten years as we have for the past. But $600,000 yearly is more probable. The average of $600,000 to which I allude then, is by the plan of finance of the committee entitled to priority over all others, and I believe that it is rightfully. We supposed that sum to be about sufficient to cover ordinary expenses. This is not the time or place to discuss the question, whether the canals, in their present condition, can perform their duty to the public. I will only say here that before I set down, I hope to be able to satisfy every member who will attend to the question, that they are abundantly able to do all the business, and better than they did in 1834-'35, in the condition in which they then were; and that by a proper expenditure upon them, they may be made equal to any duty which can in all human probability overtake them in the next ten or twenty years.

I now proceed to consider whether the $1,500,000 of tolls proposed to be taken to pay the canal debt, is a fit and proper sum. The debt, as I showed

---

[A.]

Erie and Champlain Canals—table H: pages 46-47.

| | |
|---|---|
| From 1826 to 1845—total Revenue, | $27,595,718 25 |
| " " total Expenses, | 8,630,921 72 |
| Difference in 20 years, | $18,964,796 53 |

All the Canals as a system—table I: pages 48—9.

| | |
|---|---|
| Total Revenues, | $28,701,527 64 |
| Total Expenses, | 10 098,370 34½ |
| Difference, | $18,603.155 69½ |

All the Canals as a system for the last 10 years.

| | |
|---|---|
| Total Expenses for 10 years, | $5,841,609 88 |
| Or average of | 584,160 98 |

—Vide Con. Doc. No. 47.

the Convention from the table B—2, Con. Doc. No. 47: p. 36. on the first day of June 1846, was $17,516,119.57. the interest up to the time of payment is $8,379.833, making in the aggregate to the day of payment without any extension. $25,895 957,90, or in round numbers, $26,000,000.

This annual sum of a million and a half proposed to be set off as a sinking fund, will pay the debt at about 1864; but it will add to the debt about a million and a half, from its necessary extension beyond the time when it falls due. In no scheme of paying this debt yet brought forward do we get rid of the necessity for this extra interest. The scheme adopted by the committee comes nearest to doing this—so near, that although it cannot at all times pay the debt as portions of it fall due, it does pay the whole within the time at which the latest portion of it does actually fall due. It becomes then a question for consideration if the debt must be deferred, how long it can safely be deferred, and what will probably be the expense of deferring it, and the interest upon it. On the long loans of the State, when its credit was best, money could be obtained at 5 1-2 per cent. *quarterly*, and I urge attention to this distinction. The State has no *yearly* loan, and you cannot tell precisely what the yearly rates of interest are, the rates are *quarterly*, except in the single instance of temporary loans for the general fund, which have been six per cent half yearly. Looking at the table in general use among the dealers in stocks, I find that 5 1-2 per cent quarterly, comes within the very smallest possible fraction of being six per cent per annum, taking the short time of one year, and cannot differ a very little from it, taking another year or two. The temporary loans have generally been six per cent half yearly, that is something over six per cent yearly. Five and a half per cent quarterly, has been about your lowest rate, and that is about six per cent per annum. Endeavoring to come at some rate which might be practical in its operation, I have supposed six per cent yearly to be about that rate.—Other estimates are here, as I presume from the printed papers before us, calculating interest at lower rates I believe such a mode to be entirely deceptive, and that six per cent yearly will be the lowest rate at which the matter can be managed In paying large sums you must have a sum on hand accumulating to meet the payment while the interest is running, both on the payment to be made, and the money you have porvided to make the payment. If you are obliged to extend the old debt and your sums are large as they are here, you will be obliged to obtain money somewhat beforehand to pay the interest or principal, and if in the movement of this matter, your fiscal officers shall be able to keep within the limit of six per cent per annum, they will do well. They will try to obviate the difficulty by purchasing stock at a premium. Your creditor has a right to hold till the last hour. For he is dealing with these stocks as a trade, and rightfully, We blame him sometimes for this, as if the money lender had not the same right to pursue his trade as others have. You are bound to meet him at the time and place appointed, and to do so you may have to lose interest on your money—he will not do his. I object to the low rates at which the estimates alluded to are computed, because they make no provision for this loss in the movement, and the quarterly rates. They are made in direct disregard of what has taken place since we have been here You have advertised for $300,000. and looking at the table here, it may be supposed that you get it at five per cent. Not one offer was made at that rate, and the State in 1846, cannot get $300,000 at five per cent. quarterly.—You offered six, and it was taken at a small premium of five or six per cent. on eighteen years. In a long period of eighteen or twenty years. which this debt has to run, the rate of interest may be reduced—so it may be increased. Suppose you had to attempt loans now, in the face of those sought by the Federal government. In some of the plans submitted here, it is proposed to get $12,000,000 or $16,000,000, but suppose you had to get half of that sum in the face of the Federal government in the market, believe you that you would get it at 5 1-2 per cent. quarterly? No sir! You may not always be at peace. You may be compelled to make these payments. Not when struggling with weak, insignificant Mexico. No sir; but when in conflict with France or with Great Britain. It is not safe to suppose that because you choose to run in debt, that the world therefore will choose to be at peace with you.—True, you may be at peace if you will yield in every controversy, but it may not be honorable, profitable, or in your temper to yield. But gentlemen seem to suppose, out of doors, that it would be John Bull that would hold our stocks, and that if he goes to war you would be under no obligation to pay them. Such vile logic, such villanous immorality, does not exist in fact. If John Bull did hold your stocks, he is not compelled to do it. He can put them in the hand of a neutral, your friend, perhaps the very country where you go to borrow the sinews of war, and who will say to you, pay *us* this money. The demand would not come from the public enemy, but from your friend, a neutral, and he the very one from whom you desire to borrow to arm and defend your country. It is not very agreeable to have such a debt; it is rather unpleasant. But we must try some mode of paying this debt, besides repudiation. Now, I have stated the reasons why the committee have adopted no other mode of calculation than six per cent., and I now wish to state the result of that calculation. I want to show its movement and how the thing will practically work at the end of each year—beginning with June, 1846. I have in my hand tables to show the operations of all or most of the various sinking funds proposed, calculated in the same manner, as well for the canal debt, as for the general fund debt, (always including the insolvent rail-road debt as now fixed on the treasury,) and of the canal and such general fund debt united. The sum due as ascertained from the tables estimated by the comptroller, as I have read them, for interest and principal due at the end of each fiscal year, is taken as the debt due that year—and from it is deducted the sinking fund of that year, showing, as an actual settlement would do, the deficiency of the fund, or its surplus, for that year. If there be a deficiency, interest on it at six per cent. for the coming year is charged and added to what falls due for principal and interest that year, as stated in the table; and then the sinking fund for that year is applied in payment and the new balance is struck. But if the sinking fund

over pays the demands of the year, then interest at six per cent. is calculated on that surplus and added to the income of the sinking fund for the next year. In this manner the process is continued each year until the sum set apart as a sinking fund fully pays the whole debt, principal and interest in the table, and any balance of extra interest which may be caused by the extension of payment. The estimate makes in fact a statement of the balance at the end of each year, showing at once the principal and contract interest united, and the extra interest received or paid each year, until the debt is wholly extinguished by the fund —the sum over due or in arrear, the surplus on hand, and the extra interest each year. Here they are, sir, and any gentleman can examine them.—Since the committee made some of these statements, they have been recalculated by able, faithful clerks in the public offices, and are undoubtedly correct. They show the practical working of the several propositions, and as I may not be able to print them at full length, I must state to you some of the results.

Take the canal debt—if we pay at the rate of $1,500,000 a year, as proposed by the committee, then for the years 1847 and 1855 there will be a surplus in the fund and interest in its favor. For every other year there will be a deficiency in the fund, and of course extra interest against it. These deficiencies in the fund will in general not be large —but will in 1856 be $2,249 396—in 1858, $3,-238,229, and in 1862, $2,444,486—the balance of interest on these deficiencies over the interests on the two surpluses will be $1,557,817 49—and the debt will be paid in 18 1-3 years, in 1864. In this mode of paying the canal debt,—it will cost—(table B. 2—)

| | |
|---|---|
| For principal, | $17,516,119 57 |
| For interest per contract, | 8,379 838 33 |
| For extra interest for extension, | 1,587,817 49 |
| Total for canal debt, | $27,483,775 89 |

I must here anticipate and state the results of paying $500,000 a year towards the General fund debt, as proposed by the committee.* The fund would in general be able to meet that debt, interest and principal, as it is proposed to be paid in the Comptroller's table E. before made.

* NOTE.—The part of the report of the standing committee which contains the provisions for the General Fund debt is as follows :—

§4. Of the sum of six hundred and seventy-two thousand and five hundred dollars, required by the second section of this article to be paid into the Treasury, [$500,-000] five hundred thousand dollars shall, in each fiscal year, and at that rate for a shorter period, commencing on the first day of June, one thousand eight hundred and forty-six, be set apart as a sinking fund to pay the inteerst and redeem the principal of that part of the State debt, called the General Fund debt—including the debt for loans of the State credit to rail road companies which have failed to pay the interest thereon, and also the contingent debt on State stocks loaned to incorporated companies which have hitherto paid the interest thereon whenever, and as far as any part thereof may become a charge on the Treasury or General Fund,—until the same shall be wholly paid ; and the principal and income of the said last mentioned sinking fund shall be sacredly applied to the purpose aforesaid ; and if the payment of any part of the said five hundred thousand dollars shall at any time be deferred, by reason of the priority recognized in the second section of this article, the sum so deferred, with quarterly interest thereon, at the then current rate, shall be paid to the last mentioned sinking fund, as soon as the sum so deferred shall be received into the Treasury.

| | |
|---|---|
| The interest on deficiencies of the fund would be | $214,244 23 |
| And in favor of the fund on its surplus, | 197,157 89 |
| Leaving a balance of interest on deficiencies, of only | $ 17,086 34 |

showing that there would be some balances in favor of this fund in the hands of the public officers, with which they could aid the canal sinking fund —and the general fund debt would be paid in 19 1-3 years, at the cost of—

| | |
|---|---|
| *For principal,* ................ | $5.885.549 24 |
| For interest as per table E, ..... | 3,803,458 24 |
| For balance of extra interest, ... | 17.086 34 |
| Making together,............ | $9,706,093 82 |

But this supposes that no part of the contingent debt will fall on the Treasury. If the sum which I have before stated, as the probable one, shall become a charge on the Treasury, then this sum of $500,000 a year would pay the debt about as soon without that charge as it would be paid, by applying $450,000 a year towards the debt.—The latter sum without any increase of the debt, would subject the fund to pay :

| | |
|---|---|
| Interest on deficiencies, ....... | $1,118,577 84 |
| And receive interest on surplus,. | 20.626 76 |
| Making a balance of extra interest of,...................... | $1,097 951 08 |
| Add interest and principal as in table E,.................... | 9,659,007 48 |
| Requiring to pay the debt in about 24 years, or by May, 1870,..... | $10,786.958 56 |

If the sinking fund for this debt be reduced to $400,000 a year, it would without any increase from the contingent debt extinguish it in 1878, at a cost for the balance of extra interest of $3,191,-442 83—requiring $12,860,450 31 to extinguish the debt, the principal of which is now only $5,-885.549 24, and which if promptly paid, will cost only $9,659,007 48 to pay it.

Your committee could not, therefore, recommend these slow, expensive modes of paying this part of the public debt. I must, therefore, call attention to the slower and still more expensive projects to pay these debts, or rather of non-payment.

The gentleman from Schoharie, proposes to pay the canal debt by a sinking fund of $1,275,000 a year. To make his sinking fund, he appears to have taken the one third of the interest when the debt was largest, and to have added it to the interest when the debt was least, and reduced by the late July payments, instead of doing as the acts of 1842 and 1844 require, that is, adding that third of the interest of the debt when it was largest, and applying the aggregate in a constant sum every year. On his plan of paying the canal debt, there would be no surplus or interest in favor of the fund. There would be a deficiency in each year, and extra interest on it. These deficiencies would be large ; for example in the year 1849, $3.116 089 ; in 1851. $3.540,321 ; in 1858, $7,184.881 ; in 1861, $8,246.539, and in 1862 $8,411,332. And the aggregate of interest on these deficiencies, from January, 1846 to 1872, to which the debt would extend,

| | |
|---|---|
| Would be, .................... | $6,455,295 37 |
| Principal of debt, $17,516,119 57 | |
| Interest from the table,........ 8,379,838 33 | |
| | 25,895,295 37 |
| Making the debt cost for its ultimate payment,........... | $32,351,253 27 |

He proposes to pay the General Fund and Insolvent Rail Road debt, table F., by a sinking fund of $420,000 a year. On this plan the deficiencies of the fund would be almost constant, and in some years quite large, as for example, in 1852, $1.050,-658 16.

| | | |
|---|---|---|
| The aggregate interest on these deficiencies would be | | $.2,154,166 58 |
| And the interest on surplusses, only | | 7,051, 39 |
| Causing extra interest to | | $ 2,147,114 65 |
| If we add the principal of this debt, table E., | $5,885,549 24 | |
| Interest by the table, | 3,803,458 24 | |
| | | 9,689,007 45 |
| Requiring to pay this debt in 1874. | | $11,836,122 13 |

All the other schemes of payment are, I believe slower, more expensive, and are subject to the objection that they wholly disregard the prior equities of the canal creditors over all others and over the State. These canal creditors have special pledges that can not be violated without great injustice to them and severe reproach to those who may violate them. As fiscal means to pay the whole canal and general fund debt united, as calculated in the table F., which I have read—they may be considered and compared with the plan of the committee.

The plan of the committee, if united, would establish a sinking fund of $2,000,000 a year for the whole absolute debt which, according to table F., would be,

| | |
|---|---|
| For principal,.................... | $23,401,668 81 |
| Interest as computed in the table according to contract,....... | $12,183,296 57 |
| Will be together,............. | $35,584,965 38 |

which, for brevity, I will now call the whole debt. On this plan the largest deficiency would be felt in 1861, of $3,302,335 18, and in 1862, of $3,512,-461 80. It would pay the debt in Dec., 1864, with an addition for interest on deficiencies, of.................... $ 1,583,014 32

| | |
|---|---|
| Whole debt, as above,........ | 35.584,965 38 |
| Interest on deficiencies,...... | 1,583,014 32 |
| Necessary to pay the debt on the committee's plan,.............. | $37,167,979 70 |

Mr. Bouck's plan united proposes to pay the whole debt as above,........... $35,584,965 38 by a sinking fund of $1,695,000 a year, will leave very large deficiencies for many years, and in 1862 of $11.600 851 91—redeem the debt in July, 1872, and the aggregate of interest for deficiencies will be....................... 8,528,708 47

Requiring to pay the debt,..... $44,113,673 85

Mr. Ayrault, of Livingston, proposes to pay the debt of,.................... $35,584,965 38

By a sinking fund of $1,500,000, for ten and a half years, and after that of $2,000,000 which will leave still larger deficiencies and in 1862, amounts to $13.200,953.-85, will extend the debt down to January, 1872, at an aggregate for extra interest of............... 10,366,479 01

Requiring to extinguish this debt, $45,951,444 39

And extending the debt down to January, 1872.

Among the other schemes for not paying this debt, is one which proposes a sinking fund of $1,500,000, very little exceeding the interest.—The deficiencies on this plan will for three years exceed $15,000,000, and in 1862 will amount to $16,772,117 73. The debt will extend to May, 1883, and the aggregate of interest will be, $19.441.113 87

| | |
|---|---|
| Adding the debt, .............. | 35,584,965 38 |
| And it will require,............ | $55 026,078 87 |

To extinguish it one hundred years after the treaty of peace with Great Britian, at the close of the Revolution.

My friend from Allegany, Mr. Angel, has proposed a sinking fund, I believe, of $1,600.000 a year. This is worse than that of Mr. Bouck, and only some better than the last, and could scarcely fail to require the payment of ten millions or more to the debt for extra interest

Such, sir, are the comparative results of the several sinking funds proposed for payment, when calculated by the same rule and rate of interest which I believe to be the true one, and most conformable to what will be found correct in practice. Although our means are great, yet the payment of our debt will be most expensive.

You will scarcely get rid of it short of $40,000,-000. I have the detailed results of the plans of others, to show this committee how much worse can be done, than by the prompt payment recommended by the standing committee. It is seen that even paying one and a half millions a year towards the canal debt, there will continue to be deficits, in some instances, of two and a quarter millions, and in one instance of more than three millions. How are your public officers to meet these temporary deficits at the end of the year? So long as they cansecure the creditor by temporary advances from the School Fund, the Literature Fund, or any other, with the tolls of the next month, or of the next quarter, so long as the borrowing power of the State is maintained, so long will your financial officer be able to get along.—But whenever these deficits are larger, you must not only pay the large interests, but you will have to commence a British funding system. If I had time, and temper, and the committee had time to bear with me, I could show what a curiosity the action of your financial officer would be in the nursing of this debt through eight or ten years of suspension. But I wish to show how much worse this thing can be done. As these deficits are arranged in the dlan of the committee, and comparatively small as they will be, they will be controlable by the public officers, and the management of them will be perfectly easy and safe. But when they come up to four or five, or six, eight, twelve or sixteen millions, it appears to me that it will not be entirely safe. By looking at the dates, the

committee will see, that bringing these entirely within the limit of the time for the payment of the debt, the last sum becomes due in 1864. I believe that the plan of the committee will comprise the whole ground by that time and be entirely satisfactory. But if it will not do so, there is yet another part of the report which defends the faith of the State against the reproach of repudiation.—The sixth section provides that if the sinking fund will not respectively preserve the credit of the State, the Legislature shall make them sufficient to do so perfectly by taxes—not to be direct, because that might not be just—but by any other mode which necessity may make just and proper.

There is another part of the subject to which I wish to call attention. The plan of the committee proposes to pay this debt within the time the law of 1842 promises to pay it. The act of 1842, it seems to me, never could be misunderstood. In drawing that act if I had had a doubt, it would have been removed by clauses however tautological. All the acts prior to that time, fixed a day when this money is to be paid. I do not ask the rigid exaction of the time, or ask the payment as early as some of the acts required. They pledged your faith, you must keep it inviolate. It became endangered, and your credit sunk in 1842, and you called again upon those who loaned you before to aid you in your difficulty. That act was understood here, by the people of this state, by the creditor, that you would pay them in twenty-two and a half years. No one doubted it, and it was in the faith of that promise that you obtained credit for four or five millions of dollars, and were secured from a social bankruptcy, and your credit was restored. And if you do not pay when you promised, your course is as unjustifiable, as if you obtained money by false pretences. Again, if that act was in itself in any degree doubtful, it was not long left so. The finance act of 1844, approved by the then Governor, and passed by the two branches of the Legislature, receiving a decided majority, gave a construction to the act of 1842, and expresses in strong, plain terms, that the act of 1842 engages to pay in twenty-two and a half years. On that act you obtained $900,000—it was renewing your engagements to your creditors.—You said to them, the former act intends that those who loaned us money should be paid in twenty-two and a half years from the passage of the act of 1842—and we will pay you the amount borrowed under this act in eighteen years. This was the act of 1844, approved by the then administration, and by the country. In the report of the Commissioners of the canal fund for 1846, will be found a computation upon the sinking fund on the act of 1842. It supposes the funded sum every year to be made equal to the production of six per cent. It carries out the scheme of a sinking fund, and pays the debt in twenty-two and a half years, and is made out precisely in accordance with the acts of '42 and '44. In the same report, page 9, is a sinking fund constructed under she act of '44, for the payment of the $900,000 in eighteen years.—The same period for payment is taken by the standing committee, and these two funds are supplied as nearly as can be. It pays the debt with the least possible extra interest, and therefore makes the least burthen upon the finances of the State. It does another thing; the act of '44 imposes a tax of one-tenth of a mill or $56,000 a year, and pledges so far the payment of the interest on the $900,000 loan, and declares that it shall continue to operate in favor of that class of creditors, until the surplus of the tolls shall make the requisite sinking fund for its discharge in the 18 years specified in the act. If we take the sinking fund as proposed by the standing committee, in connexion with the 6th section, it will liberate in effect the $56,000 of direct taxes that are now paid towards the canals. But if you make the sum less, you must either violate this sacred, direct and specific pledge, or else you must leave this tax to operate in favor of the canal debt. You will not say, we approve of the promises, we have got the money, and we turn you over such security as we think right. The creditor must have what you agreed to give him—he must have the canal tolls, or direct taxes to the amount agreed on, and these tolls when they come in.

Mr. ANGEL ; What was this $900,000 for ?

Mr. HOFFMAN ; To pay arrearages and unearned profits to canal contractors, and land damages. Instead of being $900,000 I believe it should have been more, $1,200,000, because during the last session, the legislature authorized a new load of $300,000, paying 6 per cent. interest for it, ann not 5 as is supposed in the table. Now I appeal to gentlemen here when they recollect the condition of the State credit in 1842, and the relief obtained under the act of that year, the sense in which it was known to be received and understood here by the creditor and all who supported and opposed it. The construction given to it by the act of '44, the loans obtained under that act, the direct tax under it, operating now in favor of the canal debt, and the specific loans for the canals, with the approbation of the then government and those who represented the State sovereignty, whether the standing committee could with any propriety have recommended a less sum to be applied to the payment of the canal debt.

I have no desire to make a stalking horse of the public faith, but I wish to bring before the committee, what is meant by a breach of public faith. In a moral point of view, and in its numerous consequences, it is in relation to the sovereign body precisely what wilful and corrupt perjury is to the individual man. It is the maximum of human guilt. It may be committed by contracting debt, for which the sovereign makes no adequate provision. In other states, it has been so committed, and perhaps we came too near it to leave us any great cause for exultation in this State. But it may be committed in a worse, and if possible in a more disreputable and guilty manner. When the sovereign has contracted a debt, wise or foolish, if we have the means to pay it, if instead of paying it, we will take those means for our own convenience or in any other way, it is the worst and most corrupt manner of producing a breach of the public faith. I believe this has been the usual mode among sovereigns, personal or social, because I apprehend that not a single one of the embarrassed states of the Union could have reached their situation of debt and difficulty, without foreseeing their danger, being warned of it, and that the day must come when the debt would exist, and there would be no means for its payment: Nor one which by an application of the means in its power, might not have wholly provided for its debt.—We were on the very verge of this condition. If you will take your revenues and apply them in payment, make it as rapidly as you engaged to do, and keep your promises fully, you will do something to redeem representative government from the reproach of repudiation. But if you will lag behind, if to pension this locality or that, to reward followers, or to get a numerical majority here or there—you will apply these revenues to new or old works, you will designedly destroy, by disregarding the rights of your creditors. Their just claims must first be provided for. If under any pretences for better or for worse, you will take

these revenues to answer any of your own purposes, instead of giving them to the creditor, then I submit that in the eye of heaven, and in the judgment of the whole earth, you have repudiated and incurred a breach of faith in the most deliberate, most corrupt, and in the worst manner. The standing committee have asked you only to pay according to the lightest rule of your own engagement. Not only did the government in '42 and '44 make these promises, but I submit that the government in '38 did the same. It was then supposed that these debts would reach the large sum of $40,000,000—they did reach $28,000,000. The revenues have been as great as they were then calculated or expected. You have no apology for non payment on that score, and you have put forth to the whole country, to the creditors, to the people of the State and to the world, that these revenues would pay the debt, in the very period, in which the standing committee have required it to be done. Here is the sinking fund table as found in the Assembly document No. 242. of 1838.

Mr. HOFFMAN exhibited and read from that table, calculated by Mr. Ruggles for the purpose of showing the progress of the sinking fund formed from the surplus revenues of the canals, commencing in 1838, and amounting in 1865 to more than $40,000,000; and extinguishing the debt of that amount which he alledged might be safely created for internal improvements, on the assurance of its being paid in that manner.

It was then said that these revenues would py the debt without a resort to taxation. The deb has not been so large as was expected, by many millions, and yet they have not done it. It may be said that the gentlemen who then administered the government here were not our political friends, that we were not bound by those engagements, and I am afraid that even political friends have repudiated the engagements of their predecessors in office. Whoever occupies these places as the representatives of the government of the State, speaks for the people as the sovereignty of the State. If they hold out promises of this kind, they are the promises of the sovereignty, and it is in vain to say that they are political friends or opponents.—If they act within their constitututional limits, they are the sacred inviolable word of the sovereign; and accursed be that person, who finding himself under an obligation of this kind, should renounce it, or hesitate to the extent of the means in his power, to meet the sacred engagements of the sovereign body. They did make these promises in 1838, to redeem the debt in the time, and almost the total of our debt was contracted on the faith of those promises—the revenues have been as ample as was expected—the debt upon us is some 17½ millions of dollars, and the standing committee ask you to pay it within the time you pledged and engaged yourselves it should be paid. Will you hesitate, will you doubt? You said in 1842, you would pay it—you said it, because whoever stood here then spoke for you,—you said it again in '44—you had said it in '38, and you said it with more distinctness and emphasis, in the progress of this debt each time you borrowed. Do I say too much then, when I say, that not to secure these funds, and pay as far as you are able, is to commit a wilful and deliberate breach of trust? I will say that if this convention should do it, I may be obliged to keep silent while I remain here, but not even this convention or any other on earth without these walls shall hinder me from expressing my utter detestation of such a course. I will hold it to be a breach of public faith, to be the perjury of the State, and I will apply it to the conscience of every individual man. I will not be deterred from doing it, for I know what has been the consequence of speaking and acting lightly in matters of this kind. It has brought social bankruptcy on other States.

While in this convention, I will submit to its action, but I will hold to my right as a citizen of the State, to express freely my convictions upon this or any other subject, in or out of this body. I can look around here on some gentlemen who I supposed would, under any circumstances, have stood by me, and perhaps they will stand by me yet. I was about to address an argument to them on the subject, but I will wait until the issue is made.

The committee have proposed that you keep your faith—that you be not guilty of a breach of public trust—that you do not engage in a course which shall protract this debt, endanger its eventual payment, and encumber the people with interest and taxes. Do we desire in order to pay this sum to take the most expensive scheme? Are we so greedy to get a dollar to spend to-morrow—is it so necessary to pension dependents, reward followers, and purchase numerical majorities, that we will allow this extra interest of ten millions to become a burthen upon the public works? I believe there are some other schemes—one to pay this debt by applying to the joint debt $1,500,000 per annum. This is a joint stock concern, and its deficits are abundantly large. I shall content myself with saying, that they get up to 15, 16, 13 and 12 millions. These are the deficits to be from time to time provided, and the extra interest on them amounts to $19,451,113,49. This enormous sum is to be paid to get money to spend, because in all these calculations the same debt is eventually to be paid, and the revenue for the same time would be the same. By paying these large deficits you get a few six-pences to spend, instead of getting the debt out of the way and having large dollars to spend. That is the effect of it. I have compared some of these schemes with one another, and intended, although I am not very able to do it, to read them now, and to bring them in contrast more fully than I have done. Gentlemen at their leisure can compare for themselves. They will purchase a delay by these several propositions; and if they think the people of the State ought to make such a purchase let them say so. I believe they ought not and that we ought to resist any attempt at such a purchase.

Painful as it must be, I must read you an abstract of the statements showing the practical workings of these various schemes of payment:

| In each year. | Sinking Fund. $1.500,000 36years and 9 months | Sinking Fund. 10 1-12 yrs 1.500,000 15½ 2,000,000 | Sinking Fund. $1,695,000 | Sinking Fund. $2,000,000 |
|---|---|---|---|---|
| | 36 years 9 months. | Ayrault. 25 years & 7 months. | Bouck united. 26 years & 1 month. | Committee united. 18 years & 7 months. |
| | Deficiencies | Deficiencies | Deficiencies | Deficiencies |
| 1846 ...... | 526,260 56 | 526,260 56 | 461,260 56 | 359,593,90 |
| 1847 ...... | 330,316 75 | 330,316 75 | 66,416 75 | *346,319,90 |
| 1848 ...... | 2,025,166 25 | 2,025,166 25 | 1,550,432 26 | 807,899,61 |
| 1849 ...... | 3,857,782 92 | 3,887,782 92 | 3,189,564 89 | 2,097,480 28 |
| 1850 ...... | 4,033,584 75 | 4,033,581 75 | 3,098,473 64 | 1,635,863 95 |
| 1851 ...... | 5,431,664 68 | 5,434,661 68 | 4,248,446 90 | 2,393,080 63 |
| 1852 ...... | 5,590,641 96 | 5,590,641 96 | 4,138,251 11 | 1,866,562 87 |
| 1853 ...... | 5,269,957 88 | 5,260,957 88 | 3,526,423 58 | 813,434 04 |
| 1854 ...... | 5,423,242 75 | 5,423,242 75 | 3,389,636 40 | 208,867 47 |
| 1855 ...... | 5,052,514 72 | 5,052,514 72 | 2,701,891 98 | *974,723 08 |
| 1856 ...... | 9,157,438 59 | 9,098,500 63 | 6,470,778 49 | 2,268,566 53 |
| 1857 ...... | 8,777,723 21 | 8,215,248 97 | 5,734,863 50 | 975,518 82 |
| 1858 ...... | 11,495,597 67 | 10,399,374 98 | 8,075,166 38 | 2,725,261 02 |
| 1859 ...... | 11,345,991 56 | 9,683,995 51 | 7,525,334 39 | 1,549,434 71 |
| 1860 ...... | 12,203,737 58 | 9,942,021 77 | 7,958,840 98 | 1,319,387 33 |
| 1861 ...... | 15,339,746 44 | 12,442,327 69 | 10,645,156 05 | 3,302,335 18 |
| 1862 ...... | 16,772,117 73 | 13,200,953 85 | 11,600,851 91 | 3,512,461 80 |
| 1863 ...... | 16,307,931 29 | 12,022,497 58 | 10,631,389 52 | 1;752,696 01 |
| 1864 ...... | 16,393,350 42 | 11,350,790 68 | 10,181,216 14 | 464,801 02 |
| 1865 ...... | 15,906,191 45 | 10,061,378 12 | 9,126,629 11 | 1,313 04 |
| 1866 ...... | 15,360,880 94 | 8,665,060 81 | 7,979,226 85 | on 31 Dec. 1864 |
| 1867 ...... | 14,782,533 80 | 7,184,964 46 | 6,762,980 46 | |
| 1868 ...... | 14,169,435 83 | 5,616,062 33 | 5,473,759 28 | |
| 1869 ...... | 13,519,654 98 | 3,953,026 07 | 4,107,184 84 | |
| 1870 ...... | 12,830,834 28 | 2,190,207 63 | 2,658,615 92 | |
| 1871 ...... | 12,100,684 34 | 321,620 09 | 1,123,132 88 | |
| 1872 ...... | 11,326,725 40 | on 1 Jan. 1872 | Surp. 97,576 15 | |
| 1873 ...... | 10,506,328 92 | Surp. 173,555 61 | on 1 July 1872 | |
| 1874 ...... | 9,636,708 66 | | | |
| 1875 ...... | 8,714,911 18 | | | |
| 1876 ...... | 7,737,805 85 | | | |
| 1877 ...... | 6,702,074 20 | | | |
| 1878 ...... | 5,604,198 65 | | | *Surplus. |
| 1879 ...... | 4,440,450 57 | | | |
| 1880 ...... | 3,206,877 60 | | | |
| 1881 ...... | 1,899,290 26 | | | |
| 1882 ...... | 513,247 68 | | | |
| 1 Mar. 1883 | Surp. 98,921 13 | | | |
| Debt,.......... | 35,584,965 38 | 35,584,965 38 | 35,584,965 38 | 35,584,965 38 |
| Int. on deficienc. | 19,441,113 49 | 10,366,479 01 | 8,528,708 47 | 1,583,014 32 |
| | $55,026,078 87 | $45,951,444 39 | $14,113,673 85 | $37,167,979 70 |

Worse than the plan of the committee to the amount of

| | | |
|---|---|---|
| $17,858,099 17 | $8,783,464 69 | $6,945,694 15 |

NOTE.—$1,400,000 and 400,000 is worse than the committee by $4,876,687.99.
Vide B2, Con. Doc. No. 47—1,400,000 for time and particulars.

[The amount of debt to be paid is $35,581.965 38. The 1st column in the preceding table shows the deficiencies there would be in each year, in paying the debt as it falls due, if a sinking fund of only $1,500.000 was annually set apart for the payment of principal and interest. The 2d column shows the deficiencies on a sinking fund of a million and a half for ten years, and two millions thereafter, as proposed by Mr. Ayrault. The 3d column shows the annual deficiencies on a sinking fund of $1.695.000, as proposed by Gov. Bouck. The 4th column shows the operation of the plan of the committee. In paying the debt with a sinking fund of $1,500,000, the *interest* on the deficiencies would be, as shown at the foot of the first column, $19,441,113 49

| | | | |
|---|---|---|---|
| Interest on deficiencies in | | Mr. Ayrault's plan, .................................... | 10.366.479 01 |
| do | do | Gov. Bouck's plan, .................................... | 8.528.708 47 |
| do | do | plan of committee, .................................... | 1.583 014 32] |

Will the Convention, could they ask this standing committee with any regard to the duty of the State, to adopt any less sum than the one they have recommended? It pays the debt within the period for which its faith was pledged, and reduces the deficits to a sum so small, that they can be managed with safety. It observes good faith to the creditor and saves the citizens from the expenses of millions. And if the standing committee could not in the sight of man be justified in recommending a less sum, how will you, who are here as a committee of the Convention, desire to make yourselves equal to what the standing committee were morally forbidden to do. I hope I have sufficiently vindicated the position of the committee in saying that $1,500,000 of the canal fund revenues should

be taken in each year to pay the debt until it is paid. I do not pretend that the argument on the subject is finished. It is not difficult to turn to other passages in history that would come as the scourge of Nemesis to the hands of any one who wished to inflict it. Perhaps in the progres of the debate this matter may be more distinctly brought to the view of the Convention and the country. I believe I have explained the only clause in the section that could need it.

The next question in order, is what is justly and fairly due from the canals as a system, to the State? For in my opinion the State has a right to a return of what advances it has made, with the fair and usual mercantile profit upon them for the risk fairly estimated for engaging in the work. Beyond that it has no right, in my judgment, and if it had, it has lost it by the unhappy manner in which the account for the advances of the State to these canals has been kept. To that extent I go; and I leave it to gentlemen when they come to view the subject, to say whether they can with propriety resist the claims of the State against the canals to that extent. It will be seen that the standing committee do not intend that the canals must pay the rail-road debt, the general fund debt, or any thing of the kind. They put the question distinctly to the Convention, what is the fair sum which is due to the State for advances to the canals as a system, and for the risk of the State for engaging in their construction. How shall that account be taken, and when ascertained? What annuity shall the canals settle upon the State in liquidation of those claims? Neither in form or in substance do I accede to the doctrine that the canal tolls shall be taken for general purposes. I deny it. The right of way, I insist, is the right of the million; the sovereign holds it in trust, and can exercise it only for their benefit, and has no right to make a revenue out of it. This is my opinion. What are the fair actual advances made by the State? Now I say that any sum of money which has gone into the Canal fund, and which does not proceed directly from the canal revenues, tolls or water rents, is an advance by the trustee having them in charge, and should justly be repaid, and with the proper interest. This is the position I assume, and I beg leave to call the attention of the Convention to the sum, and to explain the manner in which the result is obtained The first item of these advances, as stated in table C, page 44, Con. Doc. No. 47, is the Salt duty. The Salt Springs were the property of the State, and the duties from salt were devoted to the Canal System in 1817; and before their restoration to the Treasury, amounted to $2,055,458.08. A question has arisen whether this is a fair charge, and I admit that sophistry has exercised its ingenuity to show that it is not. It is said that the canals have largely increased the salt tax. Be that so. The salt transportation has largely increased the canal tolls; but because it has, is that any reason why the salt boiler should claim that part of the canal tolls? No sir. And on the other hand, because the canals may have increased the salt tax, by extending the trade, that is no reason why the salt tax should belong to the canals. I submit that this infinitesimal mode of financiering, by which these two resouces assert claims on each other, which are capabl neither of computation nor of collection, is absurd, and practically impossible. The State was entitled to the salt tax, for it was the tax of the State. The canals may have increased it, so the salt manufacturer may have increased the canal tolls, but neither has a just claim against the other. However much the transportation of salt has increased the tolls, those belong to the canals. And however much the sale of salt has been extended by the canals, the salt tax belongs to the State. Sir, good faith is a jewel, and I advise the canals not to act like a fraudulent bankrupt and repudiate the debt. Good faith is a jewel,—at any rate bad faith is vile any where. In 1817, when about to enter upon the construction of the canals, the committee of ways and means of the Assembly addressed themselves directly to Mr. Clinton, then chairman or president of the Board of Internal Improvements or Navigation, on the subject of a finance system for the canals. That gentleman gave them advice on this subject,—that this salt tax, this auction tax and the like, should be taken from the State, and given to the Canal fund, and that advice was adopted. He promised that in due season, and in a short period, the salt and auction tax should be restored to the State by the canal tolls. Sir, that great man is no more among us, but did he believe, when he made this engagement, that after all he predicted has taken place, there would be a human being on earth who would come forward and say that what he promised, should not be performed? No sir. Let no such thing be believed. You did promise to the people who assented to that law, the restitution of those funds, and this was distinctly one of the reasons why they went for that bill. Good faith is a jewel,—let us abide by our word: We said that these taxes should be restored—let it be done. In 1825, when the canals were completed, the gentleman from Dutchess (Mr. TALLMADGE) was one of the Fund Commissioners, as Lieut. Governor of the State' and so was the present Secretary of War These commissioners took up this very subject, discussed it, and then renewed in the strongest and most direct terms, the engagements of 1817. They promised the restoration of these taxes. In 1830, this subject came before the Canal Board, a computaion was then made of these arrearages, the claim of the State was distinctly asserted and maintained, that in fairness and fact the salt tax should be restored—and that the interest on it be compounded. They estimated the very items down to that time and compounded the interest on them at the rates now charged. In 1838, the ground was maintained in full force, and it was asserted that the general fund existed in the canal revenues,—it was the doctrine upon which the then administration continued to act. I wish then to know whether, while the people look to this as a source of income to free them from direct taxes, it is honorable or honest to contend that the salt tax or the auction tax ought not to be restored? I deny the moral right of this Convention to repudiate these promises upon which all men have relied. In my judgment, therefore, the Salt tax and the Auction tax, with the interest on them fairly compounded, is a just charge against the Canal. So with the land sales. I know that some of these lands were given by private donation to the canals, and to the amount of $32,240, they ought to have been allowed in this account But even this had been more than made up to the canals. The preliminary surveys of them were paid by the State—to the amount of $42,957,—that is 10,717 more than the donations to the Canal fund. Lands have also been given by the State from the

general fund to the Oswego canal, the sales of which brought $213,087. So that the land sales are in fact charged at $223,804 less than they ought to have been. As to the other items in this account, no honest man who is willing to pay for money borrowed in an emergency can hesitate about them. Credit fur all the canals has paid has been given. The items charged will be found in Con. Doc. No. 47. p. 44, tableG.

| | |
|---|---|
| For the salt tax ................ | $2,055,458 06 |
| " the auction tax............. | 3,592,039 05 |
| " the land sales.............. | 103,755 18 |
| " the steam-boat tax ........ | 73,509 99 |
| " money paid for lateral canals | 1,386,498 58 |
| " ½ mill tax ............. ... | 280,563 58 |
| | $7,491,824 74 |
| If simple interest at 5 per cent be calculated, deducting from time to time the sums refunded by the canals, there will be added for interest | 3,796,973 98 |
| Making—due the State........ | $11,278,798 72 |
| But if the same deductions be made and the interest be compounded at 5 cent yearly—there will be due to the State..... ..................... | $13,451,167 74 |

as the proper basis of the State annuity—and at 5 per cent on this sum the annuity would be—$672,-558 38—or in round numbers $672,500.

The argument used by the Canal buard in 1830, in favor of the items and the mode of computing interest, appears to me conclusive. If these taxes had not gone tu the Canal fund, money must have been borrowed instead of them, and the rates of interest would have been calculated at 5½ or 6 per cent quarterly, and that compounded quarterly in effect, and not as has been done here, compounded yearly at 5 per cent only. As the State paid quarterly interest to supply the deficit caused by the diversion of those revenues, it is right to compute the interest compounded yearly. It could not force a settlement; it could only compound interest for delay. I insist that the account made out is fair and ought to be allowed. The same principle has been recognized in this matter from the beginning—in 1817, in 1825, in 1830, in 1835, and in 1838. Therefore in calculating the annuity due to the General Fund, the committee have concluded that in round numbers $672,500, is about the just annuity against the canals.* Not that the canals should pay the State debt or the rail-road debt, but that they should pay their legitimate debt to the State. Pay that, and so far as the committee is concerned, all that is asked is done.

There is no reason why the claim should be reduced, but several why it might very justly be increased, both as to the items and the rate of interest on them. On long loans the State usually paid 5½ per cent quarterly, which is nearly equal to 6 per cent yearly—and on short loans it usually paid 6 per cent half yearly. The diversion of these revenues to the canals, obliged the State to borrow equivalent sums at 6 per cent half yearly—and in no way could these monies have been borrowed for the canals at less than 5½ per cent quarterly—in effect by new loans compounding the interest. These revenues too gave its best credit to the canal fund and enabled it to obtain credit on the most favorable terms. In many cases too, items fairly chargeable to the canals have been omitted. And I desire to call the attention of the committee to the fact that in the legislative efforts to increase the canal revenues by bounty, the General fund has been deprived. up to the 30th of September last, of $377,-180, collected for that fund by direct taxation; and that from time to time special appropriations for canal purposes, in the whole amounting to about $130,281, have been paid by the General fund for the canals which have never been charged against them.

A few days since the gentleman from Ontario, (Mr. Worden,) supposed that the Legislature had always acted very properly, and I ask him whether, in the particular instance to which I am about to allude, there was any propriety in their conduct. Direct taxes were provided by act of 1842, for the General Fund, and the Legislature in 1843 found it more convenient to forage on the act of 1842, and get $300,000 to pay canal contractors, than to levy it in any other way. While the General Fund was increasing, although it had direct taxes to aid it, the Legislature passed an act with one of those exquisitely moral titles, which so clearly express the intention of the act. It was described as a proposition "for improving the revenues of the State." Now as to the manner of improvement. While the General Fund debt was accumulating, while the treasury was being replenished by direct taxes, the Legislature directed a bounty to be paid on salt, coal, gypsum, and I believe empty barrels transported on the canal, out of the General Fund, to contribute to which the people were every day paying direct taxes, and under that law the $377,281 which the people had paid into the treasury by direct taxes, has gone as a bounty to the general transportation on the canal. If this did improve the revenues of the State, then I submit that this money ought to be charged to the canals, as aid given by direct taxation to them. The purport of the act was to take it out of the salt tax, but in effect, in substance, it was taken out of direct taxes. If all that was fair and honest, I say nothing against it except that it is fair to charge it against the Canal Fund, and just as fair as any of the other canal charges, for it did increase the canal revenues. The State lost nothing if it goes to pay the debt, perhaps it makes now part of the supposed surplus, but I have not been able, with the most liberal views, to believe such a course to be consistent with good morals, either public or private.

Mr. Worden—When was that law passed?

Mr. Hoffman—In 1843. I believe the gentleman had no part in that law. I do not know that he ever voted for any act "to improve the revenues of the State." I believe he has for several to increase the debt. But I have, on this occasion, hoped that he would vote with me to try and get the debt paid.

I have no doubt that certainly half a million and more might be justly charged. If these items were taken

* The section of the report of the standing committee which proposed this settlement is as follows:

§ 2. In liquidation of the State claims for advances to, and payments for, the canals, [$672,500] six hundred and seventy-two thousand and five hundred dollars of the revenues of the said canals shall, forever, in each fiscal year, and at that rate for a shorter period, commencing on the first day of June, one thousand eight hundred and forty-six, be paid into the Treasury for the use of the State; and if the payment of that sum, or any part thereof, shall be delayed by reason of the priority established in the preceding section, the amount so delayed, with quarterly interest thereon, at the then current rate, shall be so paid out of the said revenues as soon as can be done consistently with such priority.

into the account, and the same rate of interest which the State has paid, and the canals must have paid, if the money had been borrowed directly from them were calculated, the basis of the annuity would have been enlarged a million or more. I do not desire to increase the amount; but there are strong reasons why it should not be diminished.

I do not stop to inquire whether the canals can pay these sums or not; they are just debts, and should be paid if possible. If they are deferred, then, it is provided in the second section that the canals shall pay quarterly interests at the then current rates. I suppose that it will be said that the canals will not be able to pay these sums of money. Does any gentleman suppose that any larger expenditure upon them will be required than what the committee have authorized if they cannot pay? If they will not pay what is already chargeable upon them, then I apprehend no further expenditure will be made upon them than is necessary to keep them in a useful condition. But if they can pay, I wish to know whether you will leave them not to pay the State, and say to the Legislature, you shall tax the constituent body to pay the debt and State expenses, because we will not take from the canals what is due from them to the State? For in one way or the other the State debts and the State current expenses must be met. If the canals should unfortunately prove insufficient to meet these charges, they will be deferred, and when the tolls are sufficient to pay them they will be paid to the State. That is the provision of the second section, and if either of those sinking funds prove insufficient, then the taxing power of the State is to be brought into requisition to make them sufficient, and any such sum so advanced is to be reimbursed out of the canal tolls, if ever these are adequate.

It will be seen that so far I have not argued the question upon the ground that the canals can do this, but solely on the ground that it is their duty to pay. This enables me to close all the observations I have felt it my duty to make on this part of the subject.

I now come to the consideration of the 3d section of this plan, and it involves very serious questions, and on which perhaps I shall be obliged to occupy considerable time.

Mr. Hoffman here read the following:

SEC. 3. The surplus of the revenues of the canals, after paying the said expenses of the canals and the sums appropriated by the two preceding sections, shall in each fiscal year be applied to the improvement of the Erie canal, in such manner as may be directed by law, until such surplus shall amount in the aggregate to the sum of [$2,500,000] two millions and five hundred thousand dollars.

The charges now proposed to be fixed on the canal revenues, say,

| | |
|---|---|
| For ordinary expenses, .................. | $600,000 |
| For the canal debt, ...................... | 1,500,000 |
| For the State annuity in liquidation of past advances, ........................... | 672,500 |
| Making together a yearly charge of ...... | $2.772.500 |

Will there be any surplus of canal revenues? This raises the question as to what are and what have been the canal revenues, and what will they probably be for a course of years to come—what capacity has the canals, and how far this sum of $2,500,000 may be rendered necessary to add to the capacity of the canals. I could write a book upon such a subject, and find a difficulty to compress my remarks upon it. I ought, before I proceed, to call attention to the difficulty which lies in the matter, and which to some seems not to have occurred with reference to the several laws authorizing the State debt. I find that in general the canal creditors have had both general and specific liens upon the canal fund. All of them, so far as I can recollect, and I believe every one of them, unless it may be for the last $300,000 debt, are entitled to a priority in this fund over the State or any other creditor. This is a reason why none of these joint stock *projects* for paying off this debt can be carried into effect. You must create two sinking funds, and give the canal debt priority, and take the residue to pay the State the claim of which must be regarded as subordinate. In drawing up estimates of the joint operation of any one of these propositions, the committee did not mean to have it supposed that any such proposition could be adopted, and when I come to that part of the report relating to the State General Fund debt, I shall have something more to say in relation to the several and joint operation of the different sums proposed as a means of payment. This question as to the future revenues of the canals, like all others that lay in conjecture, must be determined upon principles of rational probability. Different minds will come to different results in relation to it. I have said in view of all surrounding circumstances, that I believe that the canal tolls will continue their usual increase for the next eight or ten years, and that in that period they will probably begin to culminate, and require reduction in the rates to compete for business, and the largest aggregate revenue. The question then arises, will there be any surplus? The revenue of 1846, ascertained to the 22d of July, is $2,550,000 and a fraction, and estimating the remainder of the year according to what was received in 1845, the accruing revenues should be $2,757,178.08. According to the scheme of the committee, there will be wanted for expenses on the canals, $600,000; for the canal debt, $1,500,000, and for the State annuity, $672,500. This will make an aggregate of $2,772,500, and it would be $14,000 more than the income for the present year by estimate. But it is now ascertained that these revenues for this fiscal year will exceed $2,-775,000. They will exceed the proposed charges on the canals by some 2,000 dollars. I shall therefore view them as coming to one and the same result. The wants as proposed by the committee, and the actual revenue would be about the same, or at any rate would not differ to an amount worth naming, the tolls, perhaps, being a little in excess. I have tables of the past increase of the canal revenues. The actual tolls in each year are given in Con. Doc. No. 47, p. 48, table I. down to 1845. The tolls in 1836 were unusually high, insomuch that they fell off considerably in succeeding years, yet comparing a series of ten years with the year 1836, and taking the actual tolls as they came in, to 1845 inclusive, and averaging them so as to suppose an equal sum of increase for each year over that of 1836, and the common difference in an arithmetical series, would be $18,274 81-100 over the tolls of 1836. It is a very low, and the lowest mode of estimating these future surplusses. There is another mode of estimating them, and that is as the tolls have for the last ten years increased 3 02-100ths per cent on those of 1836; to assume that they will in the ten years to come, increase at the same rate on those of 1846. The basis of these modes is exhibited in the table of the actual canal revenues from 1836 to 1845, both inclusive, which I now read: (See Table head of next column.)

In the series of ten years the increase is equal to 3 02-100ths per cent for each year on the tolls of 1836, the first year of the series.

On tolls of 1836 to 1845, 10 years, common difference $48,274,818. Rate per cent 3 02-100ths.

I give you now the result of these two modes of computation, and of another beginning with the lowest. Commencing a series of ten years immediately after the present fiscal year, and the common difference would be $48,271 81 cents at that rate. Continuing it for five years, the total revenue from 1847 to 1851 inclusive, would be $14,510,-012.67. Deduct from this the amounts the committee have stated as the charges on the canals, that is five times $2,772,500, equal to $13,862,500, and it would leave for these five years the small surplus of

ACTUAL CANAL REVENUES

| Year. | Tolls, &c. | Actual differences. | |
|---|---|---|---|
| | | Increase. | Decrease. |
| 1836 | 1,598,455 48 | ............ | ............ |
| 1837 | 1,325,609 77 | ............ | 272,845 71 |
| 1838 | 1,465,275 16 | 139,665 39 | ............ |
| 1839 | 1,655,783 56 | 190,508 40 | ............ |
| 1840 | 1,606,827 28 | ............ | 48,956 28 |
| 1841 | 1,989,686 71 | 382,859 43 | ............ |
| 1842 | 1,797,463 80 | ............ | 192,222 91 |
| 1843 | 1,953,829 08 | 156,365 28 | ............ |
| 1844 | 2,388,457 31 | 434,628 26 | ............ |
| 1845 | 2,375,533 43 | ............ | 12,923 91 |
| | 18,156,921 61 | 1,304,026 76 | 526,918 81 |

CONTINUATION OF TABLE.

| Year. | Common Diff. | Arithmetical series of tolls. |
|---|---|---|
| 1836 ........ | 48,274,818 | 1,598,455.48-0 |
| 1837 ........ | ............ | 1,646,730.29-8 |
| 1838 ........ | ............ | 1,695,005.11-6 |
| 1839 ........ | ............ | 1,743,279.93-4 |
| 1840 ........ | ............ | 1,791,551.75-2 |
| 1841 ........ | ............ | 1,839,829.57-0 |
| 1842 ........ | ............ | 1,888,101.38-8 |
| 1843 ........ | ............ | 1,936,379.20-6 |
| 1844 ........ | ............ | 1,984,651.02-4 |
| 1845 ........ | ............ | 2,032,928.84-2 |
| | | 18,156,921.61-0 |

$647,512.67. If the same mode of computation be continued until 1856, that is, for ten years, the surplus would amount in these ten years to $2,501,895 and 76 cents. Or more accurately, taking the canal revenues of 1846 as equal to the charges on them, and they will to some small amount exceed the charges, and converting the common difference, $48,271.81, into a series in arithmetical progression for ten terms or years, the first term would be $48,271 81

The last in 10th term, ten times that sum, 482,718 10

The sum of the two extremes,.......... $530,989 ..
Multiplied by half the number of terms,.. 5

Surplus in ten years,................ $2,651,919 55

Mr. Worden—Are these results the same as given by the Comptroller?

Mr. Hoffman—I believe not. The call on the Comptroller prescribed the rule by which he should estimate. He computes by the same common difference, but he was directed to commence with and include 1846, which I exclude. In the two first results I have given, I estimate on the revenues of 1846, as ascertained in part by estimate, making them only $2.757,178.08, when in fact they will amount to $2,775.000; and instead of falling short, will a little exceed the proposed charges on them. In the mode I last gave, estimating merely by the common difference, I avoid this error, because this mode assumes that the tolls of 1846 were equal to the proposed charges.

If we assume the second mode of estimating these surpluses, that is, that the Revenues will for a series of 10 years, commencing with those of 1846—increase 3.02-100 per cent—then the common difference taking the tolls of 1846 as above stated, in part from estimate $2,757,178.08, would be $83,266.78—but on the actual tolls as now ascertained, it would be somewhat higher. Disregarding this error as immaterial, and the surpluses would be—

For 5 years from 1847 to 1851, .......... $1,248,401
For 10 years from 1847 to 1856, ........ 5,579,672

This mode of estimating the future surpluses appears to me the most probable, and produces results most in accordance with past experience. It supposes the revenues of 1846 equal to the proposed charges on the canals, when in fact they exceed these charges, and takes a common difference from the tolls of 1846, ascertained to June and estimated from that time, which it is now ascertained, gives less than they actually are as above stated. But this mode of estimate supposes that we can for ten years keep up our present rates of toll, and yet secure our usual increase of business. In the estimate of the committee of Ways and Means in the Assembly of 1838, of which Mr. RUGGLES was chairman, Assembly Doc. No. 242—it is assumed that these revenues would become stationary, and not increase after 1849, when they would reach $3,000,000 after deducting expenses. The bankruptcy at the south-west, the civil dissentions in the Canadas to which I have alluded, the general embarrassment which has injuriously affected the construction of Railroads, have delayed to a considerable extent the then expected competition with our canals, and I incline to the opinion, that we shall not reach this culminating point in some 8 or 10 years, though I think the rate of increase was taken on somewhat too low an expenditure. If we take from the committees proposed charges on the canals the $600,000 for ordinary repairs, we may adopt as a third mode of estimating our probable surpluses, the nett revenues stated by the committee of 1838, and they would give—

For 5 years from 1847 to 1851, .......... $3,237,500
And for 10 years from 1847 to 1856, .... 7,375,000

By a rough general average of these various modes of estimate, it seems entirely probable that these surpluses in 6 or 7 years will exceed the $2,500,000 proposed in the 3d section to be exclusively appropriated to the improvement of the Erie Canal, and that it is reasonable to suppose that they will exceed five millions in the next ten years. Beyond that period, I am not disposed to indulge in the luxury of estimating surpluses.

In any event it seems right to say that there will be canal surpluses in 5, 6 or 7 years, equal to the $2,500,000, contained in the 3rd section. From past experience and under existing and probable circumstances it can scarcely be doubted and cannot be disputed.—Well suppose there is not, then there can be no increase of canal business, because the present revenue runs a little beyond the wants of the canals as the committee have fixed them, in the sums for ordinary repairs, and to pay the canal debt, and the annuity to the State. They have fixed the sum a little below the canal revenues, and if there is any increase in the canal transportation or business, it must bring with it a surplus of tolls. Either there will be no increase of business and no occasion for canal improvements, or the increase of canal transportation must bring these surpluses as fast and as early as they can possibly be needed. It is not possible to escape from this conclusion. The canals now perform their whole duty and carry all that is presented, and could well transport much more. If there be no increase in business all will be done in the best manner, and if the transportation shall increase as I believe it will for some years to come—that increase must bring with it all the surpluses that can be required.

Here Mr. HOFFMAN gave way to a motion to rise and report progress—

Afternoon Session—Mr. HOFFMAN resumed—

The question to which I will now call the attention of the committee is, has the canal in its present con-

dition capacity to perform its duties well in carrying on the navigation? If the surplus, I mentioned this morning of $2,500,000 shall accrue from the business of the canals, will it so improve the canals that they may perform their whole duties to the public? I will endeavor to answer these questions, for I have statements here which I cannot very well read, yet I shall be obliged to ask the attention of the committee while I attempt in some way or other to read or explain them. In 1834 and 1835, there was a very large crowd on the canal, the lockages rose to a considerable number, and the navigators were forced to increase the tonnage of the boats, then small, and averaging some 35 or 36 tons. Perhaps now and then there was a boat carrying 40 tons. The appearances then were that there was to be a very large and rapid increase of this trade. I am not certain what the depth of water in the canal at that time was, but from circumstances which then came to my knowledge, and from facts since ascertained and attested upon oath, I have been inclined to believe that perhaps at that time the water in the canal was scarcely over three feet, it may have been more, but I am rather inclined to the opinion that it was a very little over that. I do not know that I can state with perfect precision what was the swiftest lockage performed, but from recollection, I can state that 7, 8 and 10 minutes, prior to the spring of 1835, was the ordinary working time of the locks. I believe there were some locks that could not operate with the same facility, and the commissioners appear to have been of the same opinion, and in the spring of 1835, ordered new paddle gates to the locks where the crowd was the greatest, in order to increase the facility of discharging and receiving. How that worked I am not able to say, but I believe it increased most materially the capacity of the canal; and if the commissioners in 1834, and 1835, had known the shallow state of the water, they would hardly have come to the conclusion which they did, that double locks were indispensable.

But they did come to the conclusion, and in their report recommend as the probable extent of the enlargement, 5 feet by 50 and 6 feet by 60. *The* enlargement—of 7 feet by 70—was then a thing unheard of. It owed its birth to a convention at Rochester, got up I believe the succeeding year, and where we have lately had a convention on enlarging and improving navigation In all this matter there was a vast deal of theory and something of fact and I have done the utmost in my power, since I have been here, and before, to try and get for this convention the facts so that gentlemen might judge in some degree for themselves. I have a table here of the boats which navigate the canals, and I find that a well built boat carrying 80 tons or more, in point of fact draws but 3 feet 4 inches of water. An ill formed boat of the same burden draws a little more, and the heaviest of all these boats I find is one to which has been given the name of "Bull-head." This comes up to 3 feet 8 or 9 inches. These boats make their trips with such cargoes, they come to the weigh-locks. they are weighed there, and therefore the fact that they carry such cargoes is unquestionable. It may be said that these boats are ill-formed, and I do not know but they are. The doctrine of easiest traction in navigation has been in practice disregarded; and I believe I may say that the boatmen and the carrier hold it in sovereign contempt. I am not sure but they are right, because in any effort to get at it, the boat will be so far from the towing path as to render the traction indirect and inconvenient. At any rate, they hold in sovereign contempt all these theories, and continue to make their 80 ton boats and carry their 80 ton cargoes. I must refer to one of these tables, bringing into discussion at this point what ought to have been thrown in somewhere else, that is the moderate increase of the lockages, the increase in the tonnage of the boats, and the vast increase of the tonnage transported.

Mr. Hoffman here referred to and commented upon the following table.

From this table it is seen that while the lockages have increased from 26,798 in 1835, to 30,452 in 1845, the tonnage arriving at tide water has increased from 497,839 tons, in 1835 to 959,590 tons in 1845. It is also seen that the average cargoes of the boats in 1835 was 38 6-10 tons—in 1839 that average was reduced to 31 8-10 tons, and had risen in 1845 to 63 tons, or more than doubled. The average cargoes of the boats for 1846 will probably be still greater, as almost all the new boats exceed the highest average stated in this table.

The canal commissioners in 1841, and again in 1842, stated as a matter of demonstration, that if 225,000 tons should be added to the down tonnage of 1840—which was 467,315 tons, the Erie canal would then have reached its maximum capacity—they were confident that its greatest capacity would not exceed 692,315 tons.

*Navigation year or season on the Erie Canal.*

| Year. | Total of lockages at Alexander's lock. | Lockages at Alexander's lock being assumed as one half the whole | Tonnage arriving at tide water from the Erie canal. | Average down cargoes of the boats. |
|---|---|---|---|---|
| 1835 | 25,798 | 12,899 | 497,839 | 38.6 |
| 1836 | 25,516 | 12,758 | 419,125 | 32.8 |
| 1837 | 21,055 | 10,527 | 387,506 | 36.8 |
| 1838 | 25,962 | 12,981 | 419,249 | 32.3 |
| 1839 | 21,234 | 12,117 | 386,267 | 31.8 |
| 1840 | 26,987 | 13,493 | 467,315 | 34.6 |
| 1841 | 30,320 | 15,160 | 532,520 | 35 |
| 1842 | 22,869 | 11,434 | 480,149 | 42 |
| 1843 | 23,184 | 11,592 | 635,345 | 54.8 |
| 1844 | 28,219 | 14,109 | 799,816 | 56.6 |
| 1845 | 30,452 | 15,226 | 959,590 | 63 |

They supposed and said that when the canals were doing this amount of transportation, they would have reached their maximum. They were fated to experience the same overthrow in this matter of conjecture which their predecessors, of whom I was one, had experienced on the subject. In 1845 the tonage was 959,590. It had passed the maximum which the canal commissioners had fixed, not once, but more than twice. This is the way in which the canal performed in point of fact. It seems to have had a sort of flexibility to overthrow calculations. It realizes its own results and brings out, as time always does, truths on which it is safest to rely. The boatman, acting in defiance of the rule of easiest traction, contrived greatly to increase his cargo, as appears by the return from the Weigh locks.

The table which I hold in my hand, shows the number of cargoes, exceeding 70 tons, weighed at Rochester and Syracuse, and exceeding 65 tons weighed at Utica, in several months of the present year. It may be assumed that these are down cargoes, for nearly all the cargoes weighed at these locks are such.

*Cargoes weighed in 1846, at the several Weigh Locks:—*

| | Over 70 tons. Rochester Weigh-lock. | Over 70 tons. Syracuse Weigh-lock. | Over 60 tons. Utica Weigh-lock. |
|---|---|---|---|
| April, (2 weeks) | 28 | 59 | 40 |
| May, " | 97 | 138 | 120 |
| June, " | 169 | 147 | 91 |
| July, " | 136 | 135 | 66 |
| August, " | 129 | 122 | 93 |
| | 559 | 601 | 410 |

I now beg leave to call the attention of the Convention to another statement illustrating the increase of these cargoes, by showing the continued increase of the tonnage of the boats. Formerly, all boats were entered in the register, but what became of them afterwards was never known. In 1844, an order was made to have the officers go along the line of the canal, and take down the name of the boats, and of the tonnage of each, and transmit them to the office here. As all the boats were then tied up by the winter, the truth as to the number of boats and their tonnage was obtained. The number of boats according to that account, in 1843, was 2126, and their tonnage and the tonnage of the boats built in each year since, is given in the table which I will now read.

Mr. Hoffman here read and commented on the following table:

TONNAGE OF NEW BOATS,—F.

| Tonnage. | Boats, 1st. Jan. 1844. | Built and registered in 1844. | Built and registered in 1845. | Built and registered in 1846. |
|---|---|---|---|---|
| 180 | | | | 1* |
| 100 | | | 1 | |
| 90 | 2 | 1 | 4 | 1 |
| 85 | 1 | | 1 | 3 |
| 80 | 3 | 9 | 13 | 33 |
| 75 | 13 | 33 | 60 | 118 |
| 70 | 162 | 124 | 107 | 97 |
| 65 | 264 | 94 | 54 | 20 |
| 60 | 444 | 71 | 33 | 7 |
| 55 | 325 | 15 | 4 | 1 |
| 50 | 461 | 14 | 6 | 3 |
| 45 | 166 | 1 | 2 | |
| 40 | 158 | | | |
| 35 | 53 | 1 | 1 | |
| 30 | 40 | 11 | 1 | |
| 25 | 16 | 8 | | 2 |
| 20 | 8 | | 3 | 2 |
| 15 | 3 | 1 | | |
| 10 | 4 | | 1 | |
| 5 | | | 4 | |
| 2 | | | 3 | |
| | 2,126 | 378 | 297 | 288 |
| Av. Tonnage | 55 | 64 | 67 | 72 |

* Note.—The boat of 180 tons, built in 1846, is 95 feet long, 16 feet 2 inches in width, draws 3½ feet water when freighted with 120 tons, but would require 4½ feet to carry 180 tons—runs from Buffalo to Rochester, and moves from 2½ to three miles an hour.

With this increase in the tonnage and cargoes of the boats, has come a corresponding reduction in the prices of freights exclusive of tolls. The up freights in 1830, '31 and '32, gave to the carrier after he had paid the tolls, some 45 cents on the hundred weight; and in 1845 and '46 only 9 cents. I do not know it that result is possible, but it is actual—it cannot be helped, for the thing is done. The down freight is now so heavy and so bulky, and the up freight so light, being scarcely sufficient for useful ballast, and most easy navigation of the boat, that the carrier gets very little beyond the tolls, for the up freight. In 1830, '31 and '32, the carrier after paying the tolls on a barrel of flour, reserved to himself, 37 cents; in 1846, but 22 cents. So that while this controversy about reducing the cost of transportation by the enlargement of the canal has been going on, a reduction of much more than fifty per cent. on the carrier's share of the charge for transportation has, taking the up and down business together, been in general, actually effected. The carrier has, with such a canal as you have given him, reduced his compensation more than one half.

The facts now brought to the attention of the committee, prove strongly, that in the increase in the tonnage of the boat and the reduction in the freight which the carrier after paying tolls, can retain for his use, we have without the enlargement, realized about all the benefits promised by that enlargement. It may be supposed that the canal has been deepened or enlarged by repairs, but there is no foundation for this supposition.—Since the Convention has been in session, by order of the Canal Board, the water in the canal on the upper and lower mitre-sill of every lock, and at about every four rods of the space intermediate the locks, and on both sides of the boat, has been measured—the measurement sworn to, and returned to the Canal Department, with the ascertained time to fill and discharge the lock and pass the boat,—where any gentleman may examine them. From these returns, it appears that at points of considerable extent, there is not full four feet of water either from Albany to Utica, or from Syracuse to Buffalo. Some of the boats, however, draw 3 ft. 8 inches, and one 3 feet 9 inches—and I infer from this, that the canal when very full of water, affords this draft at all points—but the admeasurement of the water shows that it does not afford the full four feet promised in the construction.—On the mitre sills there is usually an excess of five or seven inches over the four feet, and I suppose these mitre sills, especially at the heads of the locks, indicate more truly than any thing else, the true original bottom water line of the canal. The admeasurements, however, show that in the distance between locks, the bottom of the canal is frequently, and for long spaces, some inches above the mitre sills.

[Here Mr. BOUCK interrupted Mr. Hoffman by saying, that these sills were usually depressed some six or eight inches below the bottom water line of the canal.]

Mr. HOFFMAN proceeded. I have often doubted whether, although the state paid for a four foot canal—the contractors ever excavated it to that depth. The returns to which I have alluded, create doubts on the point—and if these sills were depressed five or seven inches, I should conclude that the canal was not originally excavated to much more than three feet. Aside from this question, however, these returns prove that the water for navigation does not exceed, if it equals, four feet in depth. The increase of the tonnage of the boat, and the carrier's reduction of his share of the freight, has been effected with a canal of not exceeding four feet; at points, it is less.

These returns also show that with the best pad-

dle gates and apparatus, a lock may be filled in 40 seconds, and discharged in the like short time. With such a lock, a boat may pass in three minutes with practical ease. Yet some of the locks operate much slower. In truth, if at the most crowded points on the canal, (for which as is seen by the lockages, there is and can be no difficulty,) there should be given to every lock the same power and facility now possessed by some, the capacity of the canal would be largely increased, say one-third, to pass boats, to say nothing of the great increase of its capacity that must result from fairly cleaning it out, and affording 4 ft. 5 inches of water through the whole distance, being less than the average on the mitre sills. These two changes alone, which can cost almost nothing, would increase the capacity of the canal with only its old locks one-half, and make it answer all our purposes until surpluses can be earned, as I have endeavored to show they will be, to improve it.

What then can these surpluses do when obtained to improve the Erie canal? They will be sufficient to secure double locks, and one of them. a line of enlarged locks to Syracuse. From Syracuse to Lockport, they will either extend the old locks, to make them 100 feet in the chamber, or erect enlarged locks. They will complete the double enlarged locks at Lockport, and extend them to Buffalo. In addition to all this, they will raise and strengthen the banks from Albany to Buffalo, so as to secure by reasonable cleaning, full five feet of water—and thus with the improved facility of the locks, enlarge the boats to 120 tons, and triple the capacity of the Erie canal. The expense of this work to Syracuse, has been closely estimated. For the residue of the distance experience furnishes a safe guide. To obtain five feet of water and locks of 100 feet in the chamber, the engineer's estimate would reach about $1,600,000, —my own about $1,900,000, and certain it is that the $2,500,000 proposed would complete it in the best manner. The $300,000 to reach Syracuse will soon be realized. To my mind, it is entirely certain, that we can, in this manner, without deferring the payment of our debt in due season, and before it can be needed—give the Erie canal capacity at once, to reduce its tolls if need shall be, and yet earn the surpluses to complete its construction, and that of any work the State may desire.

Sir, pain obliges me to desire to bring these remarks to a close. But in the schemes proposed for the arrangement of our debts, I cannot fail to perceive a strong wish to preserve the old debtor system, under the new and milder pretence of delaying payment, in order to get money to spend. I must therefore call attention to the great injuries we have sustained from this debtor system. We cannot now very well estimate the cost of completing the works begun. Judging from the estimates and the reports of those who had them in charge in 1842, the cost would equal $15,000,000. That was the sum asked by the commissioners of the canal fund, and canal commissioners, and recommended by the Governor. The estimate then for the Black River called for some $800,000, which with land damages, extras and contingences, would probably swell to one million. About $1,800,000 appeared then to be required for the Genesee Valley, which with the usual additions, would probably reach $2,000,000, unless the work should be executed bad enough, as on the Chemung, to reduce the cost; and yet these canals would not probably pay their own expenses in many years. The Erie enlargement seemed then to require some $12,000,000 to complete it, although at some expensive points, the plan to be pursued was not settled—might be changed, and made more expensive. Lower estimates may have since been made, to get them again under way, but I rely more on the estimates of those who supposed they might be required to complete them, than on those who seek their resumption. When we engaged in these works we had only a small debt, some four or four and a half millions beyond funds on hand; yet in five years, from 1838 to 1842, we exhausted and depressed our credit, brought on numerous and extensive bank failures, and rolled up a debt of more than $28,000,000, and sunk ourselves exhausted, and suspended these works. We have by four years' effort, somewhat reduced our debt—but that debt is still some $24,000,000, quarterly demanding the payment of interest, and rapidly becoming due in its millions of principal. Under the most favorable circumstances the debtor system was fully tried and failed us. The failure drove from power its most ardent friends—and I ask does any Whig desire to repeat it?—does any Democrat concerned in the effort to pay it, desire to repeat it?—does any of the new parties, Natives or Abolitionists, desire to repeat a system so destructive to its friends and the country? Is there no other road to defeat, ruin and political disgrace?

We have had very bitter experience of the evils of this poor, impoverishing debtor system. Let us see the great advantages we might have secured by a cash system. The Erie and Champlain canals cost us, including the care of them, to completion $8,401.394,12, and were eight years in construction, from 1817 to 1825. When we began them we had a general fund, which is now entirely expended, and while they were in construction, the salt tax, the auction tax, the land sales, and some canal tolls were poured into the canal fund now so deeply indebted. During those eight years the canal fund received:

| | |
|---|---|
| From the salt tax, | $557,409 09 |
| " Auction tax, | 1,351,349 57 |
| " Steamboat tax, | 73,409 99 |
| " Canal tolls, | 977,339 32 |
| " Land sales, | 2,371 30 |
| Add the general fund now gone, | 2,740,001 51 |
| Making together, | $5,601,880 78 |

which if deducted from the cost of the canals, as stated before, would leave to be supplied by taxes $2,799,513.34. So that a direct tax of about $350,000 for each of the eight years, these canals were in construction, would have enabled the State to construct them without one dollar of debt. Since these two canals were completed, after paying their own expenses, their nett revenues, as is seen by Convention document No. 47—H, has been down to 1845,

| | |
|---|---|
| | $18,964,796 53 |
| The whole cost of constructing all the finished lateral canals, was only | 3,496,839 66 |
| Leaving without interest | $15,567,850 87 |

for the construction of the Black River canal, the Genesee Valley, and the Erie enlargement without a canal debt; and yet in the receipt of our full and growing canal revenues To this we should add $3,749,954.42 cents for the salt and auction tax, and land sales, that have been sunk in the canal fund since 1825. With the experience of all we have suffered from, and the great advantages we have lost, will we still, if not in an open, yet disguised form. cling to this fatal debtor system?—Will we permit our debts to hang about us—increase by accident, and by interest, and make our debt and the taxes, direct or indirect, to meet it, eternal? The action, not the words of this Convention, shall answer. Be that what it may, your people will answer no! Eternal debt and taxes are not ours—and cannot be fastened on us. The government have not the power to do it.

The annuity in liquidation of the State claim for advances to the canals, is fixed by the committee at $672,500. Of this sum $500,000 a year is proposed to be taken as a sinking fund to pay the General fund and insolvent Rail-road debt, and such part of the contingent debt as may fall on the treasury. It will do it in some nineteen or twenty years, as I have before showed. I had designed to say something more of the origin of this debt, and the character of the legislation that caused it, but I must forbear. If we deduct this last sinking fund from the State annuity, we shall have remaining $172,500 a year to apply to State current expenses. All beyond this small income for some twenty years, must be supplied by taxes, direct or indirect.

What then will these current State expenses be, and what taxation will be necessary? As to the first, the past is our safest guide. These expenses, exclusive of interest on the General fund debt, will be found in Convention doc. No. 47, p. 18, in each year from 1817 to 1845 Looking at the table, it will be seen that they have maintained a steady increase and most rapidly for the last ten years.—From 1836 to 1845 they amount to more than $7,000,000 in the aggregate, making an average of more than $700,000 a year. A part of these expenses are for matters which bring into the treasury or as it is called the General fund, as much as they take out—such as advances for non resident taxes replaced to the treasury by tax sales. Items of this kind may reduce these expenses some $50,000 or $100,000 a year. Beyond this I see no reason to look for reduction in our State expenses.—We will have geological surveys or something quite as expensive. We have asylums and state prisons, and must build more. Their construction is their least cost. The great expense is to maintain them—and this class, called extraordinary expenses, will increase with our population. Under all circumstances, it is not probable that our State current expenses, for each of the ten years to come, will be less than $600,000—and after that period it is probable they will largely exceed that sum.

| | | |
|---|---|---|
| The State expenses then will be............ | | $600,000 |
| To meet them we have residue of State annuity as before,...... | $172,500 | |
| Auction and salt tax, say.......... | 100,000 | |
| | | 272.500 |
| Unprovided for, ........................ | | $327,500 |

To meet these expenses unprovided for, we must retain in force—

| | | |
|---|---|---|
| The half-mill direct tax.......... | $280,000 | |
| The one-tenth mill direct tax..... | 56,000 | |
| | | $336,000 |

and any increase of our current expenses will impose new taxes until 1865, when the extinguishment of the General fund debt will leave the whole annuity to the State, $672,500, for current expenses. But in that long period it is reasonable to suppose that these expenses will pass some $300,000 or $400,000 beyond that annuity, and make direct taxes to that amount necessary. Such, sir, it is probable, will be the result of our debtor system for internal improvements. It promised exemption from taxes and with it the endowment of schools and charities. It has already made us feel these taxes, and will leave us long to their mercy. In this view of the subject, it is scarcely necessary for me here to repeat that what we do not take from the canal revenues to pay these, must be supplied by taxes. Although this is no reason for enlarging the State claims for advances for the canals beyond their just amount, and a fair rate and mode of estimating the interest—it is a strong ground for asserting and maintaining this claim to its full and fair extent.

Sir, other matters in the report of the committee deserve some explanation, and I had designed now to make them, but I am not able. I will endeavor, however, to do so when the several sections shall be considered. In the main, however, they will sufficiently explain themselves.